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MODERN BOOK-KEEPING

AND

BUSINESS PRACTICE

BY

J. L. MONTGOMERY

INSTRUCTOR IN BOOK-KEEPING IN THE COLUMBIA GRAMMAR SCHOOL
NEW YORK

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PREFACE

BOOK-KEEPING is not an intricate subject when divested of the elaborate and useless theories with which it is so often encumbered. In order to demonstrate this fact, and at the same time to produce a manual especially adapted to class instruction, this work has been written.

Throughout, three things have been constantly kept in view: first, the relative importance of the topics; second, the pupil with his lack of experimental knowledge in business affairs; and third, the limited portion of time the teacher has to devote to the subject.

From the experience of many years in teaching the subject to large classes, from knowledge acquired by actual practice in keeping accounts, and from what has been learned by an examination of the methods employed in some of the largest houses in New York City, the author has endeavored to prepare not a mere theory of Book-keeping, but a practical work which will give prominence to essential forms, actual business customs, and the fundamental principles of debit and credit which underlie the diverse methods of keeping accounts at the present time.

Beginning with single entry, at a point within the comprehension of a schoolboy, the subject has been logically developed by arranging the topics in a natural and progressive order, each topic being designed to accomplish a definite and practical end. The experienced teacher knows, and the inexperienced one will sooner or later learn, that to accomplish any definite result with a class in the short period of

thirty minutes, attention must be concentrated on a single topic, or on a very limited portion of the subject.

The short, easy, single-topic lesson, the clear, crisp definition, and the full explanation and illustration accompanying each example, not only simplify the subject for the pupil, but lighten the burden for the teacher. By the use of a Key provided for him he will find the drudgery of teaching Bookkeeping reduced to a minimum, and he will thus be free to devote his attention to that part of the work in which he can accomplish the best results for his class.

Plan of the Book.—In preparing this work a great variety of forms of books has been purposely avoided, and only those essential to the illustration of general principles have been introduced.

By the Table of Contents it will be seen that Part I deals with Single Entry, Part II with Double Entry, and that the Appendix contains additional examples for advanced work, and some special column forms of books of original entry.

In Single Entry the cash account, the simplest of all accounts, is the first to be considered, and with the Illustration, Explanation, Definitions, and ample material for practice, it fairly exhibits the method pursued in treating the subject by topics.

Personal Accounts have been treated separately at first, and afterwards in conjunction with the cash account, thus affording a review of the preceding topic.

Business Forms, such as bills, orders, notes, drafts, and checks, have been fully elucidated. This part of the work is replete with information of the most practical kind.

Following the illustrations of the day-book and ledger are a number of Short Sets for practice, embodying such transactions as occur every day in small retail houses.

Example A is designed to show the manner in which a book of original entry may be subdivided, and while not difficult to understand, it is the most elaborate example

given in Single Entry. The remainder of Single Entry is taken up with a variety of Examples for practice and additional Business Forms.

In Double Entry, the theory of equal debits and credits has been simplified by the immediate use of ledger accounts, without reference in any way to the journal. The exercises in journalizing have been carefully graded, and that the learner may readily determine the proper debit and credit in each case, a few general principles have been explained, and not a great number of rules given to be memorized.

The day-book, journal, ledger, trial balance, and statement are the general topics for Double Entry, and their relation to each other is shown in Example I, a Complete Theoretical set.

The Five-Column Journal is presented as a practical book of original entry, showing some of the short methods employed in actual business, and illustrating the advantages of the special column, or Columnar system, so much in vogue at the present time.

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COMMERCIAL ABBREVIATIONS

A 1. . . . . First class.
Acct. . . . . Account.
Agt. . . . . Agent.
Amt. . . . . Amount.
Ans. . . . . Answer.
Apr. . . . . April.
Aug. . . . . August.

Bal. . . . . Balance.
B. B. . . . . Bill-Book.
Bbl. or brl. . Barrel.
Bgs. . . . . Bags.
Bk. . . . . Bank: Book.
Blk. . . . . Black.
Bls. . . . . Bales.
B. O. . . . . Buyer's Option.
Bot. . . . . Bought.
Brot. . . . . Brought.
Bu. . . . . Bushel.
Bxs. . . . . Boxes.

Cap. . . . . Capital.
C. B. . . . . Cash-Book.
Certs. . . . . Certificates.
Ck. . . . . Check.
Co. . . . . Company.
C. O. D. . . . Collect on Delivery.
Com. . . . . Commission.
Const. . . . . Consignment.
Cr. . . . . Credit: Creditor.
C. S. B. . . . Commission Sales-Book.
Cts. . . . . Cents.

D. B. . . . . Day-Book.
Dec. . . . . December.
Dep. . . . . Deposit.
Dft. . . . . Draft.
Disc. . . . . Discount.
do. (ditto) . . The same.
Dr. . . . . Debtor.
Ds. . . . . Days.

Ea. . . . . Each.
E. E. . . . . Errors excepted.
E. & O. E. . . Errors and omissions excepted.
Ent. . . . . Entry.
Ex. . . . . Example.
Exch. . . . . Exchange.
Exp. . . . . Expense.
Ext. . . . . Extended.

Fav. . . . . Favor.
Feb. . . . . February.
Figd. . . . . Figured.
F. O. B. . . . Free on board.
Fol. . . . . Folio.
Ford. . . . . Forward.
Frt. . . . . Freight.
Ft. . . . . Feet.

Gal. . . . . Gallon.
Gro. . . . . Gross.

Hf. . . . . Half.
Hhd. . . . . Hogshead.

I. B. . . . . Invoice-Book.
Ins. . . . . Insurance.

Inst. . . . . Instant: the present month.
Int. . . . . Interest.
Inv. . . . . Invoice.
Invy. . . . . Inventory.
I. O. U. . . . I owe you.

Jan. . . . . January.
J. . . . . Journal.
J. P. . . . . Journal Page.

Lbs. . . . . Pounds.
Led. . . . . Ledger.
L. P. . . . . Ledger Page.
L. & G. . . . Loss and Gain.

Mar. . . . . March.
Mdse. . . . . Merchandise.
Mem. . . . . Memorandum.
Mo. . . . . Month.

No. . . . . Number.
Nov. . . . . November.

Oct. . . . . October.
O. K. . . . . Correct.
Oz. . . . . Ounces.

P. . . . . Page.
Pp. . . . . Pages.
Payt. . . . . Payment.
P. C. B. . . . Petty Cash-Book.
Pcs. . . . . Pieces.
Pd. . . . . Paid.
Per. . . . . By.
Pkg. . . . . Package.
Pr. . . . . Pair.
Pref. . . . . Preferred.
Prem. . . . . Premium.

Qr. . . . . Quarter.

Recd. . . . . Received.
Rect. . . . . Receipt.
R. R. . . . . Railroad.

S. B. . . . . Sales-Book.
Sept. . . . . September.
Sh. . . . . Share.
Shipt. . . . . Shipment.
Str. . . . . Steamer.
Stor. . . . . Storage.
Sund. . . . . Sundries.

Treas. . . . . Treasurer.

ult. (ultimo) Last month.
U. S. . . . . United States.

via . . . . . By way of.
viz. . . . . To wit: namely.
vs. . . . . Versus: against.

Yd. . . . . Yard.
Yr. . . . . Year.

SIGNS

@ . . . at.
℅ . . . account.
¢ . . . . cents.
℅ . . . care of.
$ . . . . dollars.
£ . . . . pound sterling.

. . . . number.
✓ . . . check, correct.
× . . . . incorrect.
1′ . . . . one and one-fourth.
1² . . . . one and one-half.
1³ . . . . one and three-fourths.

% . . . . per cent.

PART I

SINGLE ENTRY

BOOK-KEEPING

The student in beginning the study of Book-keeping naturally inquires, What is Book-keeping? What is its purpose, and is the subject difficult or complicated? An answer to these questions may give the beginner a general idea of the nature of the work before him.

Briefly, it may be said, that Book-keeping is merely keeping a systematic record of one's business transactions. Its main purpose is subserved when it reveals to the proprietor a knowledge of the value of his resources, of what they consist, and who the parties are who owe him; also his liabilities or the amount of his debts, and his gains or losses during a given time.

While it is true that every business man may not be able himself to conduct a set of books according to the modern and most scientific principles, it is also true that in many instances success is achieved only by the judicious use of that knowledge which may be acquired exclusively from a set of books properly kept. On the other hand, the lack of this knowledge has been the cause of business failure in more cases than one.

Book-keeping is not in itself a difficult study, although it may become so to one who begins in the wrong way. By following the carefully graded lessons in this book, any one with reasonable application may, in a short time, find himself in possession of a practical knowledge of both Double and Single entry Book-keeping.

Debtor and Creditor

The words **Debtor** and **Creditor** are used so frequently in the study of Book-keeping that some explanation of these terms is necessary at the very outset. In single as well as double entry there are two classes of accounts, which may be distinguished as Personal and Impersonal. A **Personal account** is an account with a person or firm, such as John Smith, or Adams & Co. An **Impersonal account** is an account with Cash, Merchandise, or property of any kind.

In every account, Debtor, or *Dr.*, signifies the left-hand side, and Creditor, or *Cr.*, the right-hand side of the account; but when applied particularly to a personal account, Debtor means one who is in debt, or who owes us, and Creditor means one from whom we have received something of value, or one whom we owe. As applied to an impersonal account, Cash for example, Debtor signifies merely the left-hand side of the account, and Creditor the right-hand side.

With this brief explanation of *Dr.* and *Cr.* let us now turn to pages 18 and 19, where we shall find the terms applied to a cash account.

THE CASH ACCOUNT

A careful examination of the following account may, more readily than words, convey to your mind its purpose and the method of keeping it. At least you will learn, if you are a close observer, that the account has two sides, one for money received, and one for money paid out; that each side is conveniently divided into columns, the first and second being used for the date, month and day, the third for an explanation, and the fourth and fifth for the amount.

You will also observe that the total amount, or **footing**, on the left-hand page shows the whole amount of Cash received, and that the first footing on the right-hand page shows the amount paid out, while the figures in red ink show the difference between the two sides, or the amount of Cash on hand at the end of the week.

The transactions thus recorded are those of Henry Wilson, who recently graduated from the High School, and has taken a position in his father's office with the understanding that he is to receive $7 per week for his services until he proves they are worth more, that he is to pay $3 per week for board, and is to keep an account of his receipts and expenditures for each week.

Although it may be said that this is merely a boy's cash account, nevertheless, it is true that a merchant's cash account is kept on precisely the same principle, and that this form, with slight modifications, may be adapted to the largest business.

CASH

Cash **(Received)** ***Dr.***

Date		Explanation	Items	Totals
1897				
Sept.	1	Amount on hand,	8 65	
"	3	Received for Tennis Racket,	1 50	
"	5	" " work,	1 00	
"	6	" " one week's salary,	7 00	18 15
				18 15
Sept.	6	Balance on hand from last week,	7 60	

Transactions from which the above cash account has been made.

Sept. 1. Henry Wilson had Cash on hand $ 8.65.

Explanation. In opening a cash account the money on hand at beginning is entered on the debtor (*Dr.*) or left-hand side. All money afterward received is also entered on the *Dr.* side.

Sept. 2. Bought an umbrella for $ 2.25.

Explanation. When money is paid out, the amount is entered on the creditor (*Cr.*) or right-hand side.

Sept. 3. Paid for Necktie, 50 c. (*Cr.* side.)
" 3. Received from sale of Tennis Racket, $ 1.50. (*Dr.* side.)
" 4. Bought a Bicycle Lamp for $ 2.75. (*Cr.* side.)
" 4. Paid Car Fare, 20 c.
" 5. Received for overtime work, $ 1.00.
" 5. Bought a pair of Sleeve Buttons, $ 1.35.
" 6. Paid for Concert Ticket, 50 c.

ACCOUNT

Cash **(Paid)** ***Cr.***

Date		Explanation	Items		Totals	
1897						
Sept.	2	Paid for Umbrella,	2	25		
"	3	" " Necktie,		50		
"	4	" " Bicycle Lamp,	2	75		
"	4	" " Car Fare,		20		
"	5	" " Sleeve Buttons,	1	35		
"	6	" " Concert Ticket,		50		
"	6	" " Board for one week,	3	00	10	55
"	6	Balance (on hand),			7	60
					18	15

Sept. 6. Received salary for one week, $ 7.00.
" 6. Paid board for one week, $ 3.00.

Required the amount of Cash on hand on Saturday, Sept. 6.

Explanation. The amount on hand at beginning, plus the amount received during the week, making a total of $18.15, is extended into the total column of the debit side. The total amount paid out, $10.55, is extended to the total column on the credit side. The amount written in red ink, or the "Balance" on hand, is the difference between the two sides, and is entered for the purpose of closing the account. This same amount, $7.60, being the Cash on hand at the end of the week, is afterwards brought down on the debit side in black ink in order to begin the account for the following week.

In ruling, the single line under the money column indicates that an addition is to be made, the double line that the account has been closed. Observe that the double lines on both sides of the account are on a level, and should be drawn before lifting the ruler.

Definitions

Book-keeping is the recording of business transactions in a systematic manner. Its purpose is to show the condition of one's financial affairs.

An Account is a record of business transactions, and consists of a title, or heading, under which the debits and credits are properly separated.

Debits are entries made on the debit or left-hand side of the account. *Dr.*, an abbreviation of debtor, indicates the debit side.

Credits are entries made on the credit or right-hand side. *Cr.*, an abbreviation for creditor, indicates the credit side.

Balance denotes the difference between the two sides of an account. Balancing an account is making an entry that will equalize the two sides.

A Cash Account is kept to show the *money* received, the *money* paid out, and the amount on hand. When the account is accurately kept, the "Balance" will correspond with the actual amount of money on hand.

Rule for Keeping the Cash Account

Enter on the debit side all money on hand at beginning, and all afterward received. Enter on the credit side all money paid out.

To Balance and Close the Cash Account

1st. *Ascertain the difference between the sum of the debits and the sum of the credits.*

2d. *Enter this difference, in red ink, on the credit side with the word "Balance."*

3d. *Draw a single line under the total money column on each side without moving the ruler.*

4th. *Under the single line, on each side, enter the total amount, or footing, and draw double lines underneath.*

To begin a new account, bring the balance down on the debit side.

Remark. Usually the cash account is balanced daily in business houses.

The purpose of closing or ending the current condition of the cash account, or any other account, is to show a result, and exclude from further consideration all entries except the balance.

Suggestion. Read the definitions and rules carefully, but do not attempt to memorize them until you understand the subject.

Review

1. What is Book-keeping? 2. What is an Account? 3. What does it include? 4. What are Debits? 5. What are Credits? 6. What is meant by the word "Balance"? 7. What is the purpose of keeping a cash account? 8. Repeat the rule for keeping the cash account. 9. How is the account closed? 10. Why is the balance afterward brought down to the debit side? 11. Can the credit side ever be larger than the debit side? 12. What is the purpose of closing the account?

To the Teacher. When it appears that the pupil understands the general purpose of a cash account, he should be directed to copy the account as found on pages 18 and 19, omitting the words in the sub-heading such as "Date" "Explanation," etc. See that his writing is neat, his figures plain, and all ruled lines properly drawn.

Exercises in Cash Accounts

1

Frank is attending a private school in New York City, preparatory to entering college. His father, living in Norfolk, Va., desires a statement of his expenses at the end of each month. Frank's cash account for the first two weeks is made from the transactions given below.

Directions. Open the cash account in your blank cash-book by writing in large letters the word "Cash" at the top of each page, and mark the money column on the left *Dr.*, on the right *Cr.*

Write a plain, neat hand, paying special attention to the figures.

Use a separate piece of paper when making additions, subtractions, etc.

Practise ruling on slips of paper till you can draw straight parallel lines like those printed in the book.

Suggestion. In making a cash-book for this exercise, put yourself in Frank's place, and imagine that the cash transactions are your own. If in all following exercises you consider yourself the proprietor, the transactions will often be more easily understood.

Monday, Oct. 15. Cash on hand, $180 (*Dr.* side). 16. Paid tuition for ½ term, $150 (*Cr.* side). 17. Paid for books and stationery, per bill, $6.75. 18. Sold my bicycle for $55. 19. Paid for week's lunches, $1.50. 19. Paid car fare, 50c. 19. Paid for one week's board, $7.50. 20. Bought necktie, 90c. 20. Paid for gloves, $1.25. 20. Paid for car fare and ticket to base-ball game, $1.10.

Direction. Enter the Balance on hand; close the account and open a new account for the following week.

Monday, Oct. 22. Amount on hand ——? 23. Paid for Latin Lexicon, $3.25. 24. Received from home, $30. 24. Bought a new bicycle, $75. 25. Paid for postage and stationery, 45c. 26. Loaned Henry Douglas $1.50. 26. Paid for week's lunches, $1.50. 27. Paid one week's board, $7.50. 27. Bought scarf-pin, $1.25. 27. Paid car fare, 20c.

Balance on hand ——?

2

Cash Transactions of Wm. Baldwin, a Farmer

Jan. 2. Cash on hand, $55.65.
" 5. Bought 6 Sheep of Henry Brown @ $4, $24.
" 7. Bought 1 Plowshare, $1.65.
" 10. Sold 20 lbs. Butter @ 23c., $4.60.
" 14. Bought 1 Saddle for $12.50.
" 17. Sold 3 bbls. Apples @ $3.25, $9.75.

Jan. 21. Paid for Horse-shoeing, $1.60.
" 24. Paid County Taxes, $18.30.
" 25. Bought 2 lbs. Y. H. Tea @ 75c., $1.50.
" 27. Sold Joseph Scott 1 Alderney Cow, $65.
" 30. Sold 20 lbs. Honey @ 18c., $3.60.

Balance on hand ——?

3

Feb. 1. The proprietor, Geo. Davis, began business with Cash on hand, $3670.75.
" 2. Paid Store rent for February, $150.
" 4. Paid Cash for goods bought of Thos. Butler, $1400.
" 5. Sold goods to Geo. C. Brady for Cash, $800.
" 7. Paid Mrs. Flynn Cash for cleaning store, $3.50.
" 8. Received Cash from C. R. Brown, $250.
" 9. Received Cash from petty sales of goods, $35.50.
" 11. Sold goods to A. C. Brooks for Cash, $365.
" 13. Paid for Show Case and Counters, $128.
" 15. H. G. Coleman has paid us Cash in settlement of his account, $125.
" 18. Received Cash from petty sales, $16.25.
" 20. Paid Henry Clifford Cash in settlement of account, $137.50.

Balance on hand $3443.50. *Ans.*

4

March 1. Geo. Davis has Cash on hand from last month, $3443.50.
" 2. Bought goods from Henry Allen for Cash, $1700.
" 4. Paid for Coal for use in store, $20.50.
" 6. Sold goods to James Campbell for Cash, $1050.
" 7. Paid for stationery, $14.25.
" 9. Sold goods for Cash, $67.50.
" 11. Received Cash from Edwin Blake in part payment of a debt, $395.
" 12. Received Cash from petty sales of goods, $76.45.
" 14. Paid for repairs on store, $27.50.
" 16. Sold to Albert Bailey for Cash, goods valued at $980.

March 18. Walter F. Baker, paid us 6 mos. interest on his note, $ 24.

" 20. Paid clerk hire, $ 150.

" 23. The proprietor, Geo. Davis, has drawn Cash for private use, $ 180.

" 25. Received of Edwin Blake Cash in full of amount due, $ 105.

" 27. Received Cash from petty sales of goods, $ 32.85.

" 28. Paid for insurance on goods, $ 18.50.

" 30. Received Cash from petty sales of goods, $ 106.20.

Balance on hand ——?

Suggestion. As the ability to add accurately and rapidly is acquired only by practice, it is suggested that the pupil have frequent exercises in the addition of long columns of figures.

Errors in addition may be often avoided by writing the figures carefully and arranging them in vertical columns.

PERSONAL ACCOUNTS

While the cash account is very convenient as a record of receipts and expenditures of money, it is evident that it affords no information as to what other people owe us, or we owe other people. Accounts which show these facts are called Personal Accounts, and are easily distinguished from what may be called Impersonal Accounts, such as cash account or any property account.

Debtor, as applied to personal accounts; means one who owes us, having received something of value from us, while creditor means a person whom we owe, or one from whom we have received something of value, therefore when a person buys goods from us without paying for them, being then in our debt, an entry is made on the debit side of his account. Afterward, when he pays for them, an entry is made on the opposite or credit side.

A sale to one who does not pay at once is said to be **on account,** which means that it is charged to him or to his account.

In accordance with the above principles the following transactions have been entered below under Walter Mason's account.

Transactions

Nov. 1. Sold to Walter Mason, on account, 36 cans Peaches @ 25c., $ 9.00.

" 4. Sold to Walter Mason, on account, 1 bbl. Potatoes, $ 2.20.

" 6. Received of Walter Mason Cash to apply on his account, $ 5.00.

Dr. ***Walter Mason*** ***Cr.***

Nov.	1	To 36 cans Peaches @ 25c.	9	00	Nov.	6	By Cash on acct.	5	00
"	4	To 1 bbl. Potatoes	2	20					

Explanation. An entry of $9.00 is made on the debit side of Walter Mason's account on Nov. 1 because he received goods from us without paying for them. For the same reason his account is debited on the 4th for $2.20.

Whenever a person receives anything of value from us without paying for it, an entry should be made on the debit side of his account.

On Nov. 6 an entry is made on the credit side of Mason's account, because he has paid us $5.00.

Whenever we receive anything of value from a person on account, his account should be credited.

Walter Mason has received from us goods to the total value of $11.20; we have received from him a total of $5.00; therefore he owes us the difference, or $6.20.

Definitions

Personal Accounts include not only accounts with individuals, such as Geo. Adams or Smith & Co., but all accounts

with banks, railroads, companies, and corporations of every kind.

The purpose of keeping personal accounts is to show what other persons owe us, and what we owe other persons.

On account (on %) signifies that some person's account should be debited or credited.

When a person buys goods for Cash, his account is not debited; but when he buys without paying, the transaction is said to be on %, which means that his account is to be debited.

In full of % means that a debt or obligation has been fully paid.

Merchandise (Mdse.) is a term applied to every description of goods or wares which are bought or sold for profit.

Rule for Keeping a Personal Account

A person's account is debited when he owes us, or receives anything of value from us, on %; and credited when we owe him, or receive anything of value from him, on %.

From the above rule it follows that when the debit side of a person's account is the larger, he owes us; but when the credit side is the larger, we owe him.

The triple line drawn perpendicularly through the middle of the page separates the debit from the credit side.

Transactions

The following transactions are entered on the opposite page to illustrate the method of keeping personal accounts.

Jan. 2. Sold to Geo. Adams on %, 40 bbls. Flour @ $6 per bbl., $240.

Explanation. Tracing the transaction to Geo. Adams' account on the opposite page, it will be seen that he has been debited for $240, because he has received value (Flour) from us on %. See Rule.

Jan. 3. Sold to Henry Smith on %, Merchandise valued at $500.

Explanation. Henry Smith's account is debited for $500, because he has received value (Mdse.) from us to that amount.

Jan. 4. Bought of Barnes & Hilton on %, Merchandise amounting to $850.

Explanation. Barnes & Hilton's account is credited, because we received value (Mdse.) from them on %.

Jan. 5. Received of Geo. Adams Cash to apply on his account, $100.

Explanation. Geo. Adams' account is credited, as we received value from him on %.

Jan. 6. Paid Barnes & Hilton Cash on %, $650.

Explanation. Barnes & Hilton's account is debited, as they received value from us.

Jan. 7. Henry Smith has given us his note @ 30 days to apply on his account, $350.

Explanation. Henry Smith's account is credited for the value of the note.

Jan. 9. Sold Merchandise to Geo. Adams, on %, $160.

Explanation. Debit Geo. Adams' account.

Dr. ***Geo. Adams*** ***Cr.***

Date		Explanation	Amount		Date		Explanation	Amount	
Jan.	2	Flour 40 bbls. at $6	240	00	Jan.	5	Cash	100	00
"	9	Merchandise	160	00					

Dr. ***Henry Smith*** ***Cr.***

Jan.	3	Merchandise	500	00	Jan.	7	Note at 30 days	350	00

Dr. **Barnes & Hilton** ***Cr.***

Date		Explanation		Amount		Date		Explanation		Amount	
Jan.	6	Cash		650	00	Jan.	4	Merchandise		850	00

Explanation. The total debit of Adams' account, $400, shows what he has received from us. Subtracting the credit, $100, the value received from him, gives a balance of $300, which he still owes us. In like manner we find that Henry Smith owes us $150.

The credit of $850 in Barnes & Hilton's account shows the value received from them. Subtracting the debit, $650, the value they have received from us, gives $200, the amount we still owe them.

Review

1. What do personal accounts include? 2. What is the purpose of keeping a personal account? 3. What does the expression "on account" (on %) mean? 4. What is meant by "in full of %"? 5. What is understood by the word "Merchandise" (Mdse.)? 6. Repeat the rule for debiting and crediting a person's account. 7. When the debit side of a person's account is the larger, do we owe him, or does he owe us? 8. In the form of personal accounts above, how are the two sides separated, and what abbreviations are used to distinguish them?

Exercises in Personal Accounts

Direction. Use the blank ledger for the Exercises in personal accounts. Write the titles or headings in a large hand on the middle of the line. Also, write *Dr.* on the left and *Cr.* on the right. Allow five lines for each account.

Suggestion. As the plan in this book is to learn but one thing at a time and learn that well, it is suggested that in this Exercise, also in Exercise 2, you omit the cash account, and concern yourself solely with the personal accounts.

1

April 1. Sold Merchandise to Henry Bishop on %, $ 500.
" 2. Sold Merchandise to Robert Clinton on %, $ 350.

April 4. Bought Merchandise of Clark & Howard on %, $ 1220.
" 5. Henry Bishop paid us Cash to apply on his account, $ 250.
" 7. Sold Merchandise to Samuel Chapman on %, $ 780.
" 8. Received of Robert Clinton Cash on %, $ 150.
" 9. Paid Clark & Howard Cash on %, $ 600.
" 12. Sold Merchandise to Henry Bishop on %, $ 300.
" 14. Received from Samuel Chapman Cash to balance his account, $ 780.
" 15. Paid Clark & Howard Cash on %, $ 200.

The above transactions, properly recorded, give the following

Results

Henry Bishop's total debit,	$ 800.	Total credit,	$ 250.
Robert Clinton's total debit,	350.	Total credit,	150.
Clark & Howard's total debit,	800.	Total credit,	1220.
Samuel Chapman's total debit,	780.	Total credit,	780.

2

May 1. Bought Merchandise of S. F. Carpenter on %, $ 1400.
" 2. Sold Merchandise to August Cameron on %, $ 750.
" 3. Joseph Baird has rendered us services for which we have credited him, $ 15.75.
" 4. Sold Merchandise to Frank Baker on %, $ 490.
" 5. Geo. W. Lewis has borrowed from us $ 100, which we have charged to his account.
" 6. Gave S. F. Carpenter Cash on %, $ 1200.
" 8. Paid Joseph Baird Cash on %, $ 10.25.
" 9. August Cameron gave us Cash on %, $ 325.
" 10. Received of Geo. W. Lewis Cash on %, $ 100.
" 12. Bought Merchandise of S. F. Carpenter on %, $ 820.
" 14. Sold Merchandise to August Cameron on %, $ 475.
" 15. Sold Merchandise to Frank Baker on %, $ 210.
" 16. Paid Cash on S. F. Carpenter's order on us, $ 200. (Debit Carpenter.)
" 18. Gave to Joseph Baird, for the balance of his account, an order on August Cameron for $ 5.50. (Debit Baird. Credit Cameron.)

Results

S. F. Carpenter's debit,	$1400.00.	Credit,	$2220.00.
August Cameron's debit,	1225.00.	Credit,	330.50.
Joseph Baird's debit,	15.75.	Credit,	15.75.
Geo. W. Lewis' debit,	100.00.	Credit,	100.00.
Frank Baker's debit,	700.00.	——	——

Personal Accounts and Cash Accounts

3

Direction. The preceding Exercises, 1 and 2, were intended for personal accounts only, but in the following Exercises, 3 and 4, a cash account should be kept *also*. Keep the cash account in the cash-book, but the personal account in the ledger. Close the cash account at the end of each Exercise.

You should fully understand the transaction before attempting to make the entry. By asking the questions, To whom did I give value, and from whom did I receive value? you will be able to tell which person should be debited and which credited.

June 1. Began business with Cash on hand, $1200. (Enter in cash-book.)
" 2. Bought Merchandise of Denning & Spencer on %, $900. (Enter in Ledger.)
" 3. Sold Merchandise to R. H. Duncan on %, $700. (L.)
" 5. Paid rent for June, $200. (C. B.)
" 6. Bought Merchandise of Chas. Kirby on %, $1260. (L.)
" 7. Bought Merchandise of F. Jones for Cash, $850. (C. B.)
" 9. Sold Merchandise on % to the Franklin Publishing Co., $1500. (L.)
" 10. Sold Merchandise to James Cornell for Cash, $1000. (C. B.)
" 12. Received Cash for petty sales of Merchandise, $27.45.
" 13. Received Cash of R. H. Duncan on %, $250. (C. B. & L.)
" 15. Paid Denning & Spencer Cash on %, $400.

Explanation. *Denning & Spencer* should be debited in the ledger and *Cash* should be credited in the cash-book.

June 17. Gave Chas. Kirby Cash on %, $460. (L. & C. B.)

June 20. Received of Franklin Publishing Co. Cash on %, $ 750. (C. B. & L.)
" 22. Received of R. H. Duncan on %, $ 100. (C. B. & L.)
" 23. Sold Merchandise to L. Herman for Cash, $ 480.
" 24. Gave Denning & Spencer an order on R. H. Duncan for $ 200.

Required the amount of Cash on hand and the sum of the debits and credits of each personal account.

4

July 1. Began business with Cash on hand, $ 1797.45.
" 2. Paid insurance on goods, $ 58.
" 3. Bought Merchandise of Knox & Jones on %, $ 1800.
" 6. Sold Merchandise to Lewis Norman on %, $ 1000.
" 7. Sold Merchandise for Cash, $ 450.
" 8. Bought Merchandise of John Lockwood on %, $ 1485.
" 9. Paid Knox & Jones Cash on %, $ 500.
" 10. Sold Newark Novelty Co. on %, Merchandise, $ 750.
" 12. Sold Merchandise to S. Hubbard for Cash, $ 642.
" 13. Received of Lewis Norman Cash on %, $ 250.
" 14. Paid express charges and cartage, $ 13.75.
" 15. Received Cash for petty sales of Merchandise, $ 26.30.
" 17. Gave Knox & Jones on % an order on Lewis Norman for $ 450.
" 19. Sold Merchandise to Newark Novelty Co. on %, $ 830.
" 20. Paid John Lockwood Cash on %, $ 585.
" 21. Newark Novelty Co. gave us Cash to balance their account, $ 1580. (Debit Cash. Credit Newark Novelty Co.)
" 21. Deposited Cash in First National Bank, $ 2500. (Debit Bank. Credit Cash.)
" 23. Paid Knox & Jones by check on First National Bank, $ 600. (Debit Knox & Jones. Credit Bank.)

Closing Personal Accounts

Dr. *Denning & Spencer* *Cr.*

June	15	Cash		400	00	June	2	Merchandise		900	00
"	24	Order on R.H.D.		200	00						
"	24	Balance		300	00						
				900	00					900	00
						June	24	Balance		300	00

The method of closing an account, and the purpose of doing so, have been explained under the head of cash account, page 19.

Personal accounts are closed in the same manner as the cash account, excepting that in the Cash, the "Balance," if any, is always entered on the credit side, while in the personal account, to equalize the two sides, it may be necessary to place the "Balance" on either the debit or credit side.

A Personal Account may be Closed,—

1st. When for lack of space it becomes necessary to carry it forward, or to another page.

2d. When the two sides are equal and the purpose of the account has been accomplished.

3d. When at the end of the year, or, at the time of making a statement, it is desired that the ledger should show the net result of each person's account.

When to close the account is often a question of convenience for the book-keeper.

Direction. Turn to the last four personal accounts, and close each one, bringing the balance down on the proper side for a new account. If the method is not clearly understood, review the directions for closing the cash account, page 20.

Remark. The use of red ink, although often dispensed with in actual business, is of undoubted value to the pupil in learning and to the instructor in teaching the method and object of closing accounts.

THE PROPRIETOR'S ACCOUNT

The proprietor should keep an account not only with other persons, but also with himself, in which he should show the amount of his various investments, the sums he withdraws from the business, and his gain or loss at stated periods.

He may keep his account under the title of "Proprietor," "Stock," "Capital," or his own name.

When there are two or more proprietors, forming what is called a partnership, each partner should have a separate account.

Rule for Keeping the Proprietor's Account

The proprietor's account should be credited for his investment at beginning and for all investments afterwards made, but debited for the amount he owes at beginning and for all money or property withdrawn from the business.

Example

On Jan. 2, Henry Sheldon invested in business as follows: Cash, $2425; Merchandise, $3000. He owes B. F. Jones $780.

Dr. ***Henry Sheldon*** (Proprietor) ***Cr.***

Jan.	2	Due B. F. Jones	780	00	Jan.	2	Cash invested	2425	00
					"	2	Merchandise	3000	00

Explanation The credit side represents the investment, and the debit side the amount he owes at beginning. The difference between the two sides is called his net capital at beginning. If he should make additional investments, the credit side should show the amount; but if he should withdraw money or property from the business, the amount should be entered on the debit side.

Exercises in Proprietor's Account

Directions. Open the account with "Proprietor" and make proper entries.

1

The proprietor begins business May 1 with Cash on hand, $4200. On July 3, he withdraws from the business Cash for private use, $300.

2

James Ogden has decided to keep his own account under the title of Proprietor. On Sept. 1, he invests Cash, $840; Merchandise, $1200; Store Fixtures, $475. He owes S. W. Miller on %, $245. At the end of the year his gain amounts to $482.50.

The method of closing the proprietor's account is illustrated in the example below:

Dr. ***Proprietor*** ***Cr.***

Sept.	1	Due S. W. Miller	245 00	Sept.	1	Cash invested	840 00
Dec.	31	Balance	2752 50	"	1	Merchandise	1200 00
				"	1	Store Fixtures	475 00
				Dec.	31	Gain	482 50
			2997 50				2997 50
				Dec.	31	Balance	2752 50

Directions. 1st. When the business has been prosperous, enter the net gain on the credit side; but when adverse, enter the net loss on the debit side.

2d. Find the difference between the two sides, or Balance, and close in the same manner as a personal account.

The proprietor's account may be closed at the end of the year, or whenever it is desired that it should show the net gain or net loss and the present net capital.

3

The proprietor began business Oct. 1, with Cash on hand, $5280; Merchandise valued at $3420. He owes Geo. Howard on %, $472. At the end of the year his net gain is $237.50.

Direction. Open the proprietor's account, make the proper entries and close the account as above.

4

The proprietor has decided to keep his account under the title of Stock. On Dec. 1, he invests Cash, $ 9250; Store Fixtures, $ 525. At the end of the year his loss is $ 150.

Review

1. What is the purpose of closing an account? 2. Are personal accounts closed in precisely the same way as cash accounts? 3. Mention one or more instances in which an account should be closed. 4. Why does the proprietor keep an account with himself? 5. Under what various titles may he keep an account with himself? 6. State the rule for keeping the proprietor's account. 7. In closing the proprietor's account, on which side is the net gain entered, and on which side the net loss? 8. When may the proprietor's account be closed?

STATEMENTS

Having learned to keep a cash account and a personal account, the pupil should now learn how to exhibit in some concise form the results of his Book-keeping. This is best done by what is called a Statement.

The Statement shows: 1st, the Resources; 2d, the Liabilities; 3d, the Net Capital; and 4th, the Net Gain, or Net Loss.

Definitions

Resources, or **Assets,** include property of every kind we may own, and all money due us. Cash, Merchandise, Real Estate, Stocks, Bonds, Notes on hand, and money due from others are resources.

Liabilities are our debts of every form. Balances due persons on account and unredeemed notes are liabilities.

Net Capital, or **Present Worth,** is the excess of the resources over the liabilities. When the liabilities exceed the resources, the difference is called the Net Insolvency.

Remark. The purpose of Book-keeping is to enable you to determine your resources and liabilities, also your gains and losses during a given time.

Exercises in Statements

1

From the following facts the statement found below has been deduced.

On July 1, George Howard began business with Cash on hand, $ 1550. At the end of the month he had on hand goods valued at $ 825, Cash on hand, $ 540. William Baker's account showed a total debit of $ 637, and a credit of $ 312. James Hamilton's account, debit, $ 495; credit, $ 150. F. C. Anderson's account, debit, $ 465; credit, $ 620. J. D. Hulbert's account, debit, $ 132; credit, $ 250.

Required the resources, liabilities, net capital, and gain at end of month.

Statement for Exercise 1

	Items		Totals	
Resources,				
Merchandise unsold,	825	00		
Cash on hand,	540	00		
Wm. Baker (owes us),	325	00		
James Hamilton (owes us),	345	00	2035	00
Liabilities,				
F. C. Anderson (we owe him),	155	00		
J. D. Hulbert (" "),	118	00	273	00
Net Capital or Present Worth,			1762	00
Net Capital at beginning,			1550	00
Net Gain,			212	00

Explanation. As everything which we may call our own is a resource, the unsold Merchandise, valued at $825, should be placed under the resources. The Cash on hand is also a resource. William Baker's account shows by the debit, $637, what he has received from us, while his credit, $312, shows what we have received from him; he therefore owes us the difference, or $325, which is also a resource. In the same manner we find that James Hamilton owes us $345. By adding, we obtain the total resources, $2035. Anderson's and Hulbert's accounts are liabilities, as the credit side in each case is the larger. Subtracting $273, the total liabilities from the total resources, $2035, gives the net capital $1762. Since the net capital at beginning was $1550, the difference, $212, must be the net gain.

Direction. Draw up a statement for each of the exercises below.

2

On Aug. 1, James Duncan began business with Cash on hand, $1725. At the end of the month his Merchandise unsold is valued at $580. Cash on hand, $735. Frank Harper's account, debit, $275; credit, $120. A. Jackson's account, debit, $865; credit, $220. R. G. Elder & Co., debit, $950; credit, $1125. Burton & Hall, debit, $638; credit, $550.

Ans. Net Gain, $303.

3

Walter Hammond began business, Sept. 1, with a net capital of $5420. On Dec. 31, his Cash on hand was $1250; Merchandise unsold, $3274. Morton & Co.'s account, debit, $1150; credit, $100. James Wilson's account, debit, $1825; credit, $900. W. H. Palmer, debit, $500; credit, $1400. James Ogden, debit, $350; credit, $980.

Ans. Net Loss, $451.

4

James Marshall began business without capital. At the end of the year he had Cash on hand, $580.40. Merchandise unsold valued at $672.25. L. E. Bender's account, debit, $321.50; credit, $228.60. A. C. Mason's account, debit, $223.70; credit, $110.15. J. C. Allen's account, debit, $97.65; credit, $82.45. Geo. Philips' account, debit, $125; credit, $916. F. C. Lawrence's account, debit, $200; credit, $883.30.

Net Gain ——?

5

A merchant began business with Cash on hand, $550. At the end of the month his cash account showed a total debit of $968.35, and credit, $875.90. Robt. Smith's account, debit, $632.50; credit, $427.25. Wm. Lockwood's account, debit, $1050.20; credit, $835.50. Edward Cook's account, debit, $312.40; credit, $200. B. L. Walworth's account, debit, $650.80; credit, $225.50. H. C. Carson's account, debit, $328.35; credit, $150.

Net Gain ——?

6

A and B are partners. A invests $300; B invests $600. When the books are closed at the end of the year, the Cash on hand is $265.50; Merchandise valued at $530.40; Store Fixtures, $200. J. P. Smith's account, debit, $214.25; credit, $78.20. Robt. Munson's account, debit, $54.50; credit, $35.15. F. J. Cumming's & Co.'s account, debit, $342.45; credit, $164.30. Geo. Stetson's account, debit, $485.75; credit, $524.40.

Required the net gain or net loss and each partner's net capital at the end of the year, partners sharing equally.

INVENTORIES

A statement may be made at any time that the proprietor desires to know the exact condition of his business, but before the statement can be made the value of unsold goods must be ascertained.

An **Inventory** is a list or schedule of unsold goods or property with an estimated value.

When a merchant makes an inventory, or "takes stock," as it is often called, he estimates the value of his goods not at the price paid for them, nor at the price he expects to receive for them, but at what they would cost at the present time to replace them in his store.

Inventory

7 bbls. Fancy Flour	*valued @*	*$ 4.25,*	*29.75*
5 bbls. Champion Flour	*valued @*	*4.00,*	*20.00*
3 tubs Elgin Creamery Butter, 150 lbs.	*valued @*	*.20,*	*30.00*
2 boxes English Dairy Cheese, 120 lbs.	*valued @*	*.22,*	*26.40*
			106.15

The articles and prices given below will furnish the pupil with material convenient for making inventories. In working other exercises also it will be of considerable service to him to have a knowledge of some of the staple articles and approximate prices in the various lines of business. This list may be frequently consulted hereafter.

Material for Practice

Groceries. *Coffee,* 4 bags, 200 lbs. @ 35c., $70.00. *Sugar,* 4 bbls., 1320 lbs. @ 5c. *Flour,* 50 sacks @ 45c. *Tea,* 5 half chests, 175 lbs. @ 33c. *Butter,* 6 tubs, 300 lbs. @ 25c. *Cheese,* 3 boxes, 150 lbs. @ 18c. *Crackers,* 7 bbls., 420 lbs. @ 9c. *Rolled oats,* 1 bbl., 180 lbs. @ 3c. *Laundry Soap,* 12 boxes @ $3.75. *Molasses,* 2 bbls., 80 gals. @ 33c. *Rice,* 2 bbls., 100 lbs. @ 5c. *Starch,* 3 boxes, 120 lbs. @ 5¼c.

Provisions. *Potatoes,* 20 bbls. @ $1.75. *Apples,* 10 bbls. @ $2.15. *White Onions,* 2 bbls. @ $5. *Flour,* 15 bbls. @ $4.50. *Sugar-cured Hams,* 50 lbs. @ 17c. *Bacon,* 75 lbs. @ 11c. *Eggs,* 15 doz. @ 20c. *Codfish,* 3 boxes, 120 lbs. @ 6½c. *Salt,* 12 bags @ 15c.

Dry Goods. *Flannels,* 3 pcs., 60 yds. @ 22c., $13.20. *Sheetings,* 5 pcs., 180 yds. @ 20c. *Ginghams,* 6 pcs., 200 yds. @ 5½c. *Cambrics,* 8 pcs., 250 yds. @ 8c. *Dress Silks,* 5 pcs., 120 yds. @ 85c. *Serges,* 4 pcs., 210 yds. @ 75c. *Cheviots,* 6 pcs., 180 yds. @ 55c. *Velvets,* 2 pcs., 60 yds. @ $1.10. *Satins,* 3 pcs., 65 yds. @ 55c. *Prints,* 12 pcs., 360 yds. @ 5c.

Hardware. *Nails*, 4 kegs, 400 lbs. @ 4½c., $18. *Lawn Mowers*, 5 @ $4.75. *Refrigerators*, 6 @ $20. *Clothes Wringers*, 12 @ $3.75. *Lamps*, 8 @ $2.25. *Axes*, 20 @ $1.25. *Saws*, 6 @ $1.85. *Garden Rakes*, 10 @ 45c. *Oil Stoves*, 7 @ $2.75. *Shears*, 14 @ 35c. *Spring Hinges*, 20 @ 65c. *Horse Clippers*, 5 @ $1.80.

Furniture. *Bookcases*, 4 @ $35. *Desks*, 3 @ $18. *Extension Tables*, 7 @ $15. *Easy-chairs*, 8 @ $4.50. *Side-boards*, 3 @ $28. *Parlor Suits*, 4 @ $65. *Chiffoniers*, 6 @ $20. *Cabinets*, 2 @ $35. *Folding Beds*, 4 @ $45. *Kitchen Chairs*, 36 @ $1.10. *Couches*, 6 @ $18. *Wash-stands*, 12 @ $7.50.

Exercises

1. Make an inventory of seven items from the grocery business.
2. Make an inventory of eight items from the provision business.
3. Make an inventory of nine items in the dry-goods business.
4. Make an inventory of ten items in the hardware business.
5. Make an inventory of twelve items in the furniture business.

Review

1. What is meant by the word "resources" or "assets"? 2. What is meant by liabilities? 3. What is the net capital, or present worth? 4. What is the purpose of Book-keeping? 5. What is an inventory? 6. How should goods be valued in making an inventory? 7. Mention four or five articles sold by a dry-goods merchant and the present price of each.

BUSINESS FORMS

Business transactions involve the use of Business Forms to such an extent that it becomes necessary at this point to explain their meaning and illustrate their use.

The forms most frequently used in ordinary business transactions, such as Bills, Orders, Notes, Drafts, and Checks, will now receive, each in its turn, special consideration, while other forms not requiring immediate attention will be explained at the end of Part I.

Bills

A **Bill** is an itemized statement of goods sold or services rendered.

Suggestion. Distinguish the difference in the meaning of the word "bill" as used above and when applied to notes and drafts, which are called Bills Receivable and Bills Payable.

FORM OF BILL

Pittsburg, May 7, 1897.

Mr. A. F. Manning

Bought of Brown & Hawley.

May	2	1 bbl. Flour	4	50
"	2	10 lbs. Creamery Butter @ 30¢,	3	00
"	6	3 lbs. Y. H. Tea @ 70¢,	2	10
			9	60

RECEIPTED BILL

Pittsburg, May 7, 1897.

Mr. A. F. Manning

Bought of Brown & Hawley.

May	2	1 bbl. Flour,	4	50
"	2	10 lbs. Creamery Butter @ 30 ¢,	3	00
"	6	3 lbs. Y. H. Tea @ 70 ¢,	2	10
			9	60

Received Payment,

Brown & Hawley.

BILL FOR SERVICES

Brooklyn, April 6, 1897.

Mr. B. F. Raymond,

To H. W. Williams, Dr.

To Instruction in Book-keeping,

12 Lessons @ $2 - - - $24.

Received Payment,

H. W. Williams.

In the heading of a bill "*Dr.*" is sometimes used instead of "Bought of."

To H. W. Williams, *Dr.*, means that some one is debtor to, or in debt to H. W. Williams. This form is appropriate when the bill is for services.

A stamp with the word "Paid" is often used to save time in receipting bills.

Bills, Accounts Current, and Statements of Accounts are different names given to what may be substantially the same thing.

Bill is the more appropriate word to describe a statement merely of indebtedness, as when service has been rendered, or goods sold and no payment made.

Account Current, or Statement of Account, is appropriately applied to a form which shows that there is a running account, having credits as well as debits to be stated.

Merchants from time to time send bills to their customers to show the amount due, and to remind them that it is time to settle. The bill is usually a copy made from the book in which the transaction was first recorded.

Exercises for Practice in Bills

Direction. If you are not provided with paper suitably ruled, use ordinary letter paper and rule properly for a bill.

1

James Reynolds, a grocer, has sold to Geo. F. Day the following groceries: Jan. 15, 1897, 7 lbs. Sugar @ 6c., 42c.; 5 lbs. Butter @ 25c., $1.25; 3 lbs. Prunes @ 10c., 30c.; 1 can Cocoa, 22c. Make a bill for this sale.

Direction. Follow the form on page 41. Write the date on first line, Mr. Geo. F. Day on the second line, and "Bought of James Reynolds" on the third line.

2

James R. Wells, a dry-goods merchant, has sold to John Ford the following items: Jan. 20, 1897, 10 yds. Broadcloth @ $1.50; 3 yds. Velvet @ $2.20; Jan. 24, one Fur Cape, $33; 18 yds. Silk @ $1.35. Make a receipted bill for this sale.

3

Wm. Thomas, a carpenter, has rendered services to Philip Watson as follows: Jan. 27, Repaired Veranda, 3 days' work @ $4, $12; Lumber used in repairing, $6.50. Make an unreceipted bill.

Orders

An **Order** is a written request that money, merchandise, or other articles be delivered to some particular person.

FORM

Philadelphia, March 9, 1897.

To Warren & Rogers,

Please deliver to the bearer, Edward Bradley, Merchandise from your store such as he may select, to the value of Twenty-five Dollars, and charge the same to my account.

$25.00. *Robert Brown.*

Exercises

1

You owe Charles Walters $ 18. Give him an order on your own grocer, Henry Myers, for $ 7, payable in groceries.

2

William Baker owes you $ 275. Give James Gardner, to whom you owe $ 122.50, an order for that amount on William Baker.

3

Write an order on Cooper & Smith for Merchandise to the value of $ 6.50 to be delivered to James C. Bryant.

4

Write to Maynard, Merrill, & Co. an order for three copies each of five of the school books which you are now studying. (See form on opposite page.)

An order may request the goods or articles to be delivered to some third party, or to the person who writes the order, as in the following:

250 Wood Street,
Pittsburg, Sept. 25, 1897.

Messrs. Lord & Taylor,
Broadway, New York.

Gentlemen:

Please forward to me by Adams Express the following goods:

2 pcs. Brown Sheeting, Atlantic A.
3 " " " Cohasset E.
2 " Sprague Prints.
4 " Arnold's Fancy Prints.

You will oblige me by sending at your earliest convenience a price list of Standard Dress Goods.

Yours respectfully,
James C. Brown.

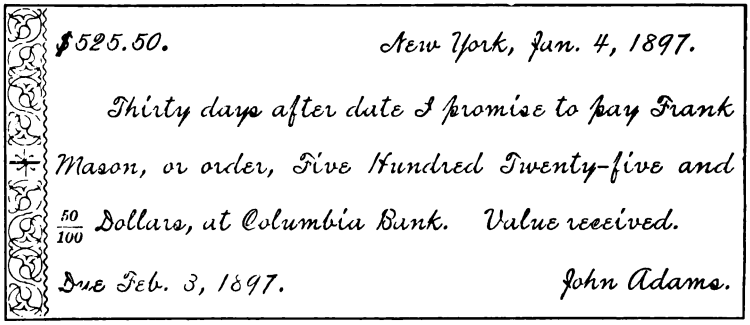
Review

1. What is a bill? 2. What is the meaning of the expression, "To H. W. Williams, Dr."? 3. What other names are sometimes applied to bills? 4. What is an order? 5. To whose account are the goods charged when they are sold on an order? 6. How many parties are concerned in the form of order on page 44?

Notes

A **Promissory Note** is a written promise to pay a sum of money at a specified time.

FORM OF NOTE



$525.50. New York, Jan. 4, 1897.

Thirty days after date I promise to pay Frank Mason, or order, Five Hundred Twenty-five and $\frac{50}{100}$ Dollars, at Columbia Bank. Value received.

Due Feb. 3, 1897. John Adams.

In every note there are two parties, called the **Maker** and **Payee.** The maker is the person who promises to pay. His name appears in the lower right-hand corner. The payee is the person who is to receive the money. His name appears in the body of the note.

In the above note John Adams is the maker, and Frank Mason the payee.

A **Negotiable Note** is one that the payee can transfer to another person by indorsement, and delivery. Such a note must contain the words "order" or "bearer." When these words are omitted, it is called a non-negotiable note, as it cannot be transferred to another by indorsement.

An **Indorsement** is the indorser's signature written across the back of the note.

By indorsement the indorser not only conveys his property or interest in the note when he is the payee, but he becomes liable for its payment if the maker fails.

An indorser may escape the payment of a note if the holder fails to have it protested.

Protesting is in substance demanding payment of the maker of the note on the day it falls due, and notifying the

indorser that he is expected to pay, as the maker has not done so.

An **Indorsement in Blank** is simply the indorser's signature across the back of the paper.

An **Indorsement in Full** is the indorser's signature designating the person to whom the note is transferred; thus, "Pay to John Bates, or order. Frank Mason."

A **Qualified Indorsement** is one that relieves the indorser from all liability to pay the note. It is made by adding to the indorsement the words "without recourse."

Bills Payable are our written obligations to pay.

Bills Receivable are other persons' written obligations to pay us.

The words, **value received**, although usually written in a promissory note, are not in most states necessary to make it negotiable.

Notes are generally payable at a bank, and if no funds have been provided for their payment, they are turned over to a Notary Public, who makes a formal protest.

An indorser who has been compelled to pay a note may afterwards recover his loss from the maker if the latter has property.

When there is no indorser, it is not necessary to protest the note, and if the maker does not pay it when due, it may be collected from him at any time within five or six years, if he has property.

A note does not draw interest until it is due, unless otherwise stated. When it is intended that it shall bear interest from date, usually the interest is computed and included in the amount of the note.

In **discounting** a note or paying it before it is due, the discount is ascertained by calculating simple interest on the sum mentioned in the note from the day of discount to the day of maturity. The person who has the note discounted receives the proceeds or the amount of the note, less the discount.

Days of Grace are the three days immediately following the specified day of payment. The maker of a note is in some states allowed this additional time in which to pay.

In New York, and some other states, "days of grace" are abolished, and when a note falls due on Sunday or a legal holiday, it is payable on the day following.

Notes

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FORM OF NOTE

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In New York, and some other states, "days of grace" are abolished, and when a note falls due on Sunday or a legal holiday, it is payable on the day following.

A **Sight Draft** is one that requires payment as soon as presented to the drawee or brought to his sight.

Usually a sight draft begins with the words, "At sight."

A sight draft, when received, is considered as Cash.

A **Time Draft** is one that is payable a certain number of days after sight, or after date.

The convenience of a draft may be illustrated thus: A, of New York, draws a sight draft on B, of Chicago, in favor of C, who also lives in Chicago. A sends the draft to C, and C presents it to B, who pays it. By this means a settlement has been effected with the three parties without sending money back and forth between the two cities. Had the draft been a time draft, C would present it to B first for acceptance, and later for payment.

By the use of a draft you may request A to pay you the sum he owes you, and in drawing such a draft you become not only the drawer but also the payee.

A draft drawn by one bank upon another is called a Bank Draft.

Drafts, like notes, may be made negotiable, or non-negotiable, by the use or omission of the words "order" or "bearer" in the body of the draft.

What has been said about indorsement under the subject of notes applies also to drafts.

Exercises in Drafts

1

You will perhaps more readily understand the nature of a draft if you will suppose that your parent owes you $20, and that you owe your teacher the same amount; then, following the form above, draw a draft on your parent, in favor of your teacher.

2

Write a draft at 5 days' sight. Amount, $500. Date, Dec. 4. Drawer, E. G. Fulton. Drawee, G. H. Cooper. Payee, H. C. Walker.

3

Frank Baker owes you $700. You owe S. C. Carpenter. Draw a draft at sight on Frank Baker for $700, payable to S. C. Carpenter.

4

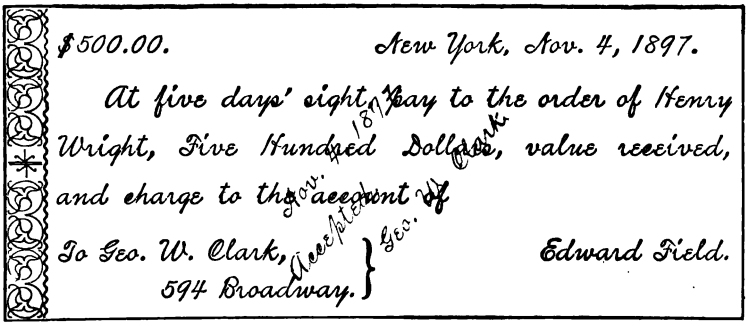
Write a draft at 10 days' sight. Amount, $720. Place, Albany, N.Y. Date, April 6, 1897. Drawer, Geo. C. Fischer. Drawee, Joseph McMillen. Payee, Yourself.

5

Write a draft at 3 days' sight. Amount, $550. Place, St. Louis. Date, Aug. 4, 1897. Drawer, W. M. Brown. Drawee, Yourself. Payee, W. E. Griffiths.

An **Acceptance** is the drawee's agreement, in writing, to pay the draft. It is made by the drawee writing across the face of the draft, usually in red ink, the word, "Accepted," the date, and his signature. It is then called his acceptance.

FORM OF ACCEPTANCE


$500.00. New York, Nov. 4, 1897.
At five days' sight pay to the order of Henry
Wright, Five Hundred Dollars, value received,
and charge to the account of
To Geo. W. Clark,
594 Broadway.
Accepted Nov. 8 1897
Geo. W. Clark
Edward Field.

In the ordinary course of business a person accepts a draft when it is drawn on him. He is not, however, obliged to accept, and he may have some good reason for refusing to do so, as when the amount of the debt is in dispute.

When one refuses to accept a draft, one is said to dishonor it.

Bill of Exchange is another name sometimes given to a draft. Usually this term is applied to a draft drawn in one country and payable in another.

Our written obligations to pay, whether in the form of promissory notes, or drafts which we have accepted, are called **Bills Payable**.

Other persons' written obligations to pay us whether in the form of notes, or acceptances, are called Bills Receivable.

Exercises in Acceptances

1

You owe Philip Harrington. On May 6, 1897, he has drawn a draft on you, three days after sight, for $425, payable to F. C. Bard. Write the draft, and then write the proper words across the face to make it your acceptance, dating the acceptance May 8.

2

August Cameron owes you a sum of money. Draw a draft on him at ten days' sight for $160, payable to yourself, dating the draft Aug. 12, 1897. On Aug. 14 Mr. Cameron accepted it. Write the acceptance as Mr. Cameron should write it.

3

You owe Edward Baldwin. He has drawn a sight draft on you for $125, payable to himself. Write the draft.

Remark. This draft does not require acceptance, as you should pay at once or as soon as it comes to your sight.

When a person draws a draft payable to himself, he becomes not only the drawer but also the payee. This is sometimes called a two-party draft.

Review

1. What is a draft? 2. Who are the three parties to a draft? 3. Where, in the draft, does each party's name appear? 4. What is a sight draft? 5. What is a time draft? 6. May drafts be made either negotiable, or non-negotiable? 7. What words, if omitted, will render the draft non-negotiable? 8. What advantages has a negotiable note or draft over one non-negotiable? *Ans.* The negotiable note or draft by being transferable may be made to pay a debt each time it changes hands, and thus performs the office of money. 9. What is an acceptance? 10. By whom is it made? 11. How is it made? 12. What is it then called? 13. What are bills of exchange? 14. What name may be applied to our acceptance? 15. What may another person's acceptance in our favor be called?

The Bill-Book

When a business is such as to require the frequent use of notes and drafts, it becomes necessary to have a separate book in which to keep a record of them, called a **Bill-Book.** On page 54 will be found a simple form of this book. Under the title bills receivable are entered other persons' written obligations to pay us, which may be either in the form of promissory notes, or drafts which have been accepted.

The note in Exercise 1, page 48, in which you are the payee, has been recorded under Bills Receivable. Compare the note itself with the record of it on following page.

The accepted draft in Exercise 2, page 52, is also recorded under Bills Receivable, as it is a written obligation to pay you.

Under the title Bills Payable are entered your written obligations to pay.

The note in Exercise 2, page 48, in which you are the maker, is recorded under Bills Payable. As a draft which you have accepted is also your written obligation to pay, you will find your acceptance in Exercise 1, page 52, recorded under Bills Payable.

Exercises for Bill-Book

Direction. On a large sheet of paper rule a bill-book similar to the one given, and copy the entries as there made. Then write notes and drafts as directed below and make the proper entry for them in your bill-book.

1

Edward Halsey owes you $325 on %. He has given you his note in payment, dated Sept. 15, payable 30 days after date.

2

On Oct. 10 you bought from James McDonald a horse for $140, paying part Cash, and your note @ 60 days for balance, $100.

3

Hill & White have on Nov. 15 drawn a draft @ 10 days' sight on you for the balance due them on %, $675. On Nov. 17 you accepted the draft.

Bill-Book

Bills Receivable

No.	When Received	Maker or Drawee	In whose Favor	Date	Time	When Due	Amount	When and How Disposed of
1	Jan. 4, 1897	John Miller	Pupil	Jan. 4, 1897	60 days	Mar. 5	250.00	
2	Aug. 14	August Cameron	Pupil	Aug. 12, 1897	10 days	Aug. 24	160.00	

Bills Payable

No.	When Issued	Maker or Drawee	In whose Favor	Date	Time	When Due	Amount	When and How Disposed of
1	Mar. 4, 1897	Pupil	Teacher	Mar. 4, 1897	5 days	Mar. 9	156.00	
2	May 8	Pupil	F. C. Bard	May 6	3 ds. sight	May 11	425.00	

Remark. Throughout this work, in computing the day of maturity of a note or draft, the days of grace have been omitted. In states where days of grace are still allowed, the time given above would be the nominal date of maturity, while the legal date would be three days later.

Bank Checks

A **Check** is a written order on a bank for the payment of money.

Banks are institutions created by law for the safe deposit, loan, exchange, and issue of money.

National Banks are created by the laws of the United States and are called Banks of Issue and Discount.

A **Bank of Issue** is one that issues its promise to pay in the form of printed bills which circulate as money. To secure the payment or redemption of these bills, usually called National Bank Notes, the bank must deposit with the United States Treasury, Government Bonds exceeding in value the amount of the notes.

The business of a National Bank consists chiefly in lending money and discounting notes and drafts.

State Banks, Saving Institutions, and Trust Companies are governed by the laws of the various states in which they are located, but in no state are they at present banks of issue.

When a person opens an account in a bank he is required to write his name in a signature book, that the cashier may know his true signature. He then receives a small bank-book, or pass book, in which is entered on one side the deposits, and on the opposite side the money drawn out. He also receives a blank check book, to be used when he draws money from the bank.

Money may be drawn from the bank only by means of checks, properly filled out and signed.

Check Book

STUB			CHECK
Balance	675	50	No. 1. New York, Nov. 5, 1896.
Nov. 4 Deposited	120	00	Columbia Bank
	795	50	
No. 1 $200	200	00	Pay to the order of James Howard
James Howard			
For services			Two Hundred ~~~~~~~~~~ Dollars.
Balance	595	50	$200 00/100. Edward Parsons.

Referring to the foregoing check, it will be seen that it is similar to a draft, as Edward Parsons is the drawer, Columbia Bank the drawee, and James Howard the payee.

In writing a check care should be taken that no opportunity is offered for changing or raising the amount. The figures should be placed close to the dollar sign, and the blank space, following the amount as expressed in words, should be filled with lines or scrolls.

The stub of the check book shows the date, amount drawn, payee, and balance remaining in bank, after each check has been drawn.

Checks, like notes and drafts, may be made negotiable or non-negotiable. They may also, like notes and drafts, be indorsed.

When a depositor wants money for his own use, he may make his check payable to bearer, or Cash, or to his own order. If payable to his own order, the bank will require him to indorse it before paying him.

When A draws a check payable to the order of B, in payment of a debt, B must indorse it, and be identified at the bank to receive the money.

When a person receives a check indorsed in blank, he is permitted by law to make the indorsement in full. This he does by writing above the blank indorsement the words, "Pay to the order of," followed by his own name.

Checks when received are always counted as Cash.

Checks made payable to Cash, or bearer, may, if lost, be collected by the finder. Some banks, however, will not pay any form of a check unless indorsed, and then only to customers or persons who have been identified.

A check should be presented to the bank for payment within a reasonable time after it is received. It is at the holder's risk to retain it longer.

A **Certified Check** is one which the bank has agreed to pay.

A check is certified by the cashier, or teller, writing across the face, or with a stamp printing the word "Certified," or words to that effect.

The certifying words vary somewhat with banks in different locations. New York City banks have adopted a stamp bearing the words "Certified, Payable only through New York Clearing House."

Checks which the bank has paid are finally returned to the drawer, and are often valuable to him as evidence of the payment of a debt.

A **Cashier's Check** is simply a draft drawn by one bank upon another. It is generally known as a Bank Draft.

A convenient and safe way of making remittances is by draft on New York. Banks throughout the country, having money deposited in New York City banks, sell to merchants and others, at a slight premium, their drafts on New York, which are regarded as good as Cash in almost any part of the United States.

Commercial Paper is a term applied chiefly to notes, drafts, and checks. Any written obligation to pay money, if negotiable, may, however, be called Commercial Paper.

Exercises in Checks

1. Write your check on the North National Bank for $120, payable to Maynard, Merrill, & Co. Date, present time.

2. Henry Archer has drawn a check on North National Bank for $25, payable to your order. Write the check.

3. You owe C. H. Moore $50. Pay him by check on North National Bank.

4. Draw a check on the North National Bank, payable to yourself.

5. You have received a check from James Rogers for 157\frac{25}{100}$, payable to your order. Write a copy of this check and indorse it in full to Chas. H. Fiske.

Review

1. What is a check? 2. What are banks? 3. In what manner is an account opened in a bank? 4. How may money be drawn from the bank after it has been deposited? 5. Wherein does a check resemble a draft? 6. What should the stub of a check book show? 7. May checks be made negotiable?

8. What is a certified check? 9. How is a check certified? 10. What is a cashier's check? 11. What is understood by commercial paper?

Exercises and Reviews in Business Forms

1. What is a bill?

2. You are in the hardware business. Several weeks ago you sold to Samuel Ward, on %, 2 kegs of Nails, 200 lbs. @ 5c.; 1 Saw, $2.50; 6 Spring Hinges @ 55c.; 1 Grindstone, $3.25; 4 prs. Door Hangers @ $2.30. Make the bill for this sale.

3. Mr. Ward is not able to pay immediately, but gives you his note @ 10 days, dated the present date. Write the note.

4. What is a promissory note?

5. You have sold Ward's note to Horace Willard for $2 less than its face value. Write an indorsement in full on the back of the note.

6. What is indorsing?

7. Are you liable for the payment of Ward's note when it falls due?

8. What neglect on the part of Horace Willard, the holder, will release you from all liability?

9. What is an order?

10. R. G. Burns, a dry-goods merchant, owes you $32.50. You owe Geo. Hulbert $20, and desire to pay him by giving him an order on Burns. Write the order, making it payable in goods.

11. Whose account should be debited and whose credited in the above transaction?

12. What is a draft?

Remark. The above order would be called a draft if it had been payable in money.

13. Name the three parties to a draft.

14. Henry Walker has drawn on you for $62.50 at 3 days after date (present date) in favor of Chas. Wilson. Write the draft and accept it.

15. What is a bill-book?

16. Under what heading should the above draft be recorded in the bill-book?

17. Wherein does a check differ from an order?

18. Write a check on North National Bank for $120, payable to the order of James E. Daly.

19. How can Daly obtain money from the bank if he is not known by the cashier?

20. If Daly should claim, some time after the check had been paid, that he had not received the money, what written evidence have you that it was paid?

21. What is a negotiable note?

22. How can you indorse a note which has been made payable to your order, so that you will not be liable for its payment in case the maker fails?

23. What is understood by commercial paper?

THE DAY-BOOK

In your first lesson in personal accounts you learned one form of recording dealings with persons which is very convenient for showing general results, but is not in itself sufficient or suitable when there are many details or particulars to be stated.

For a more complete record merchants resort to the use of what is called a day-book, in which they write the transactions at the time and in the order in which they occur.

Before reading definitions, you should turn to page 62 and examine the day-book.

Definitions

The **Day-Book** is a daily record of our dealings with persons. It is convenient for showing the details or particulars of a transaction, and is sometimes called a Book of Original Entry.

A **Book of Original Entry** is any book in which the entry is originally recorded.

As books of original entry furnish the best evidence in court to prove a debt or contract, it is important that the entries should be precise and accurate. Any erasures or alterations cast suspicion upon the record. If an error has been made it should be corrected by re-writing the entry and marking the former one "Void."

Order-Book and **Blotter** are names sometimes applied to books which differ in form slightly from a day-book. An order-book or blotter is, in general, a book in which an order for the sale or manufacture of goods is first entered. A grocer's day-book, in which he enters his sales, is often called an order-book.

Rules for Making an Entry in the Day-Book

1st. *Write the name of the person who is to be debited or credited.*

2d. *Write the items or particulars of the transaction, including the amount.*

3d. *On the same line following the name write Dr. or Cr., as the case requires, observing that a person is debtor (Dr.) when he owes or receives anything of value from us on %, and creditor (Cr.) when we owe him or receive anything of value from him on %.*

"To" and "By" are sometimes written in the day-book, also in the ledger, to begin the explanation of a transaction, "To" being used with a debit entry and "By" with a credit entry. As the explanation is quite as clear without the use of these words, they are frequently omitted.

Transactions

The following transactions have been entered in the day-book on the next page.

June 1. Sold to F. C. Newman on %, 5 yds. Linen Sheeting @ $2.50, $12.50; 17 yds. Cotton Flannel @ 20c., $3.40; 1 Carriage Robe, $7.50.

Explanation. This transaction is entered in the day-book by writing the name F. C. Newman, and then the items of the sale, including the amount. As F. C. Newman has received value from us or is in our debt, this fact is indicated by writing *Dr.* on the line with his name.

June 2. Bought of Geo. D. Woodward on %, 5 pieces Cambric, 220 yds. @ 4c., $8.80; 3 pieces Fancy Plaid, 85 yds. @ $1.20, $102; 20 doz. Spool Cotton @ 48c., $9.60.

Explanation. The name and items are entered in the same manner as in the preceding example, but as we have received value from Geo. D. Woodward or owe him he should be credited.

June 3. Bought of Adams & Elder on %, 4 tons Coal @ $4.75, $19.

Explanation. This is entered in the same manner as the 2d.

June 5. Sold to D. H. Ward, 7 yds. Fancy Plaid @ $1.35, $9.45; 8 yds. Cassimere @ $1.75, $14. Received in part payment Cash, $10.

Explanation. Ward is debited for $23.45, but as he immediately pays part of the bill he is at once credited $10.

June 6. Gave Adams & Elder an order on F. C. Newman for $19.

Explanation. As we have given Adams & Elder something of value (an order) Adams & Elder's account should be debited (*Dr.*) to the value of the order. As F. C. Newman pays the order at our request, and as we therefore receive, indirectly, value from him, his account should be credited (*Cr.*).

June 7. Hired William Russell as clerk, and agreed to pay him $12 per week.

Explanation. This transaction requires only a memorandum in the day-book. No amount should be entered in the money column, as no one at the present date should be either debited or credited.

June 8. Sold to Geo. W. Parke on %, 10 yds. Blue serge @ 90c., $9.00; 2 prs. Blankets @ $6.25, $12.50.

Explanation. This transaction is recorded on page 63, but before making the entry the footing for page 62 should be entered at the bottom of the page, and then carried to the top of page 63.

Day-Book

New York, June 1, 189–

		Items		Totals	
F. C. Newman,	*Dr.*				
To 5 yds. Linen Sheeting @ $2.50,		12	50		
" 17 yds. Cotton Flannel @ 20c.,		3	40		
" 1 Carriage Robe,		7	50	23	40
2					
Geo. D. Woodward,	*Cr.*				
By 5 pieces Cambric, 220 yds. @ 4c.,		8	80		
" 3 pieces Fancy Plaid, 85 yds. @ $1.20,		102	00		
" 20 doz. Spool Cotton @ 48c.,		9	60	120	40
3					
Adams & Elder,	*Cr.*				
By 4 tons Coal @ $4.75,				19	00
5					
D. H. Ward,	*Dr.*				
To 7 yds. Fancy Plaid @ $1.35,		9	45		
" 8 yds. Cassimere @ $1.75,		14	00	23	45
Contra,	*Cr.*				
By Cash,				10	00
6					
Adams & Elder,	*Dr.*				
To Order on F. C. Newman,				19	00
F. C. Newman,	*Cr.*				
By Order in favor of Adams & Elder,				19	00
Carried forward,				234	25

Day-Book

New York, June 7, 189–

	Items	Totals
Brought forward,		234 25
MEM. Hired William Russell as clerk and agreed to pay him $12 per week.		
8		
GEO. W. PARKE, *Dr.*		
To 10 yds. Blue Serge @ 90c.,	9 00	
" 2 prs. Blankets @ $6.25,	12 50	21 50
		255 75

Review

1. What is a day-book? 2. For what is this book convenient? 3. What is understood by a book of original entry? 4. What are the three steps in making an entry in the day-book? 5. When does a person become debtor and when creditor? 6. When is the expression "To" used and when "By"?

Day-Book Exercises

1

Feb. 2. Sold to Walter Lawrence on %, 6 Damask Towels @ 25c., $1.50; 12 yds. Ticking @ 28c., $3.36; 8 yds. Flannel @ 30c., $2.40.

" 3. Bought of Geo. Campbell on %, 10 pieces Bleached Cotton, 450 yds. @ 7c., $31.50; 8 pieces Standard Prints, 397 yds. @ 5c., $19.85; 2 pieces Cotton Flannel, 103 yds. @ 14c., $14.42.

" 4. Bought of Smith & Taylor on %, Lumber for Shelves in Store, $14.

" 5. Sold to P. S. Meyer on %, 5 spools Machine Silk @ 8c., 40c.; 10 yds. Scotch Gingham @ 18c., $1.80; 8 yds. Flannel @ 32c., $2.56; 1 Table Cover, $3.75.

Feb. 6. Sold to James McFadden, 20 yds. Sheeting @ 27c., $5.40; 2 prs. Wool Blankets @ $6.75, $13.50; 1 Damask Table-cloth, $5.75. Received Cash in part payment, $10.

" 7. Gave Smith & Taylor an Order on Walter Lawrence for $5.

" 9. Sold to F. W. Jordan on %, 6 Linen Hdkfs. @ 23c., $1.38; 3 yds. Fancy Plaid @ $1.79, $5.37.

2

March 1. Sold to C. H. Henderson on %, 2 bbls. Flour @ $6.50; 3 bbls. Potatoes @ $1.60; 2 bbls. Apples @ $3.25.

" 2. Sold to Geo. W. Whitney on %, 1 tub Creamery Butter, 50 lbs. @ 28c.; 2 bbls. Baldwin Apples @ $3.50.

" 3. Bought of Webb & Hazard on %, 20 bbls. Fancy Flour @ $4.50; 1 bbl. Rice, 300 lbs. @ 5c.; 2 bags Mocha Coffee, 200 lbs. @ 33c.

" 4. Received of C. H. Henderson Cash on %, $20.

" 5. Sold to Alexander Smith on %, 1 box Cheese, 60 lbs. @ 23c.; 2 bbls. Potatoes @ $1.50.

" 6. Sold to Geo. W. Whitney on %, 1 bbl. Granulated Sugar, $15.20.

" 8. Paid Webb & Hazard Cash on %, $75.

" 9. Received of Geo. W. Whitney Cash on %, $15.

" 10. Sold to C. H. Henderson on %, 1 tub Butter, 50 lbs. @ 20c.; 2 boxes Raisins, 100 lbs. @ 8c.

" 12. Bought of Webb & Hazard on %, 20 bbls. Potatoes @ $1.15; 8 bbls. Apples @ $2.25.

" 13. Received of Alexander Smith on %, Cash, $10.

" 15. Sold to Geo. W. Whitney on %, 36 cans Peaches @ 18c.; 1 box Prunes, 55 lbs. @ 12c.

" 16. Sold to C. H. Henderson on %, 1 bag Coffee, 100 lbs. @ 30c.; 1 bbl. Granulated Sugar, $15.25.

" 18. Paid Webb & Hazard Cash on %, $50.

THE LEDGER

Suggestion. Examine the ledger on page 67.

The design of a Single-entry Ledger is to exhibit the general results pertaining to each person's account.

You have seen that a day-book entry is a comprehensive and detailed record of a business transaction, but not in a form to show concisely the separate and collective debits and credits of each individual's account. By bringing from the day-book the various debits, also the various credits of each person's account, and arranging them under their proper headings in a book called the Ledger, the results of our dealings with persons will be most conveniently shown.

Definitions

The **Ledger** is the book of final entry. Under separate titles it exhibits collectively the debits and credits of each account.

An **Index** is that part of the ledger in which the titles of the accounts are alphabetically arranged. Its use is to enable one to readily find an account.

Posting is transferring the entries from the day-book to the ledger.

Rule for Posting

When a person's account is marked Dr. in the day-book, carry the amount to the debit side of his account in the ledger; but if marked Cr., carry it to the credit side.

Remark. When the accounts are properly posted, the total footing of the day-book must equal the sum of the debits and credits of the ledger.

Day-Book

New York, March 1, 189–

L.P.		Items		Totals	
67	C. H. Henderson, Dr.				
	To 2 bbls Flour @ $6.50,	13	00		
	" 3 " Potatoes @ $1.60,	4	80		
	" 2 " Apples @ $3.25,	6	50	24	30
	2				
67	Geo. W. Whitney, Dr.				
	To 1 tub Butter, 50 lbs. @ 28c.,	14	00		
	" 2 bbls. Baldwin Apples @ $3.50,	7	00	21	00
	3				
67	Webb & Hazard, Cr.				
	By 20 bbls. Fancy Flour @ $4.50,	90	00		
	" 1 " Rice, 300 lbs. @ 5c.,	15	00		
	" 2 bags Coffee, 200 lbs. @ 33c.,	66	00	171	00
	4				
67	C. H. Henderson, Cr.				
	By Cash on %,			20	00
	5				
67	Alexander Smith, Dr.				
	To 1 box Cheese 60 lbs. @ 23c.,	13	80		
	" 2 bbls. Potatoes @ $1.50,	3	00	16	80
	6				
67	Geo. W. Whitney, Dr.				
	To 1 bbl. Granulated Sugar,			15	20

Ledger

Dr. **C. H. Henderson** ***Cr.***

Date		Explanation		Amount		Date		Explanation		Am't	
Mar.	*1*	*To Mdse.*	*66*	*24*	*30*	*Mar.*	*4*	*By Cash*	*66*	*20*	*00*
"	*10*	"	*66*	*18*	*00*						
"	*16*	"	*66*	*45*	*25*						

Dr. **Geo. W. Whitney** ***Cr.***

Mar.	*2*	*To Mdse.*	*66*	*21*	*00*	*Mar.*	*9*	*By Cash*	*66*	*15*	*00*
"	*6*	"	*66*	*15*	*20*						
"	*15*	"	*66*	*13*	*08*						

Dr. **Webb & Hazard** ***Cr.***

Mar.	*8*	*To Cash*	*66*	*75*	*00*	*Mar.*	*3*	*By Mdse.*	*66*	*171*	*00*
"	*18*	"	*66*	*50*	*00*	"	*12*	"	*66*	*41*	*00*

Dr. **Alexander Smith** ***Cr.***

Mar.	*5*	*To Mdse.*	*66*	*16*	*80*	*Mar.*	*13*	*By Cash*	*66*	*10*	*00*

Explanation. The first amount on the debit side of Henderson's account, $24.30, is brought from the day-book, and as soon as entered in the ledger the number 66 is written in the first column to the left of the amount. This indicates the page in the day-book from which the amount has been brought. At the same time, in the day-book, the number 67 has been written opposite Henderson's name to indicate that the entry has been posted, and the ledger page on which it may be found.

Review

1. What is the ledger? 2. What does it exhibit? 3. What is posting? 4. Describe the method of posting. 5. What does the red-ink figure 67 in the first column of the day-book indicate? 6. In ledger, above, what does the red-ink figure 66 indicate? 7. What is an index? 8. What is its use?

SETS FOR PRACTICE

Set I

Robert S. Dayton has opened a bicycle and repair shop, and keeps a record of his business transactions in the cash-book, day-book, and ledger.

Suggestion. Put yourself in Robert S. Dayton's place and regard this set as a problem requiring an answer to the following important questions: 1. Who are the parties who owe me? 2. Whom do I owe? 3. What is the total value of my resources? 4. What are my liabilities? 5. What has been my net gain?

To the Teacher. Use your judgment as to whether the checks and drafts shall be written at the time of the transaction, or shall be made a special exercise after the day-book is finished. Each plan has its advantages and disadvantages.

At *either* the end of the month or at the end of each week, viz., on the 10, 17, 24, and 30, the cash account may be balanced and the amounts carried from the day-book to the ledger.

April 5. Began business with Cash on hand, $ 850.60.

Direction. Enter in cash-book on *Dr.* side, also in day-book. Thus, Robert S. Dayton, *Cr.* By Cash invested, $ 850.60.

April 5. Paid for set of books including ledger, day-book, and petty cash-book, $ 6.75.

Direction. Enter in cash-book on *Cr.* side.

April 5. Have opened an account with the First National Bank, and deposited $ 700.

Direction. No entry need be made in either the day-book or cash-book for money deposited. If you are provided with a check book, make an entry in the stub; thus: Deposited $ 700.

April 6. Bought from the Western Bicycle Co. on %, a stock of Bicycles, per invoice, $ 575.

Direction. Credit Western Bicycle Co. in day-book.

April 7. Have employed Wm. Hart, a machinist, agreeing to pay him $ 3.50 per day, and 50c. per hour for extra work.

Direction. It is sufficient to make a memorandum of this agreement in the day-book. As no one is either debited or credited, no amount should be entered in the money column.

April 8. Sold to James Fisher one Bicycle, Model "A," $100. He has paid Cash, $50, and agrees to pay the balance in 30 days.

Direction. Debit James Fisher in day-book for $100; also credit him for $50. Make an entry in cash-book.

April 8. Received for repairing Bicycles, $2.25.

" 9. Paid Western Bicycle Co. on %, per check on bank, $425.

Direction. Debit Western Bicycle Co. in day-book and credit Cash in cash-book. If you keep a check book, write out this check. The stub should always show the amount in bank after each check is drawn.

April 10. Paid Wm. Hart for work to date, $8.

Direction. In paying Wm. Hart in full, at the end of each week it is necessary to make the entry only in the cash-book.

April 12. Hired a boy who is to do errands and make himself useful in store, and who is to receive $4.50 per week.

Direction. Make memorandum in day-book.

April 12. Bought of Spalding & Bidwell, Bicycle Sundries per invoice, $172.50. Paid them Cash per check, $100.

Direction. Credit Spalding & Bidwell in day-book, also debit them for the amount of the check. Make an entry in cash-book also.

April 14. Sold to Frank Davis on %, 1 Cyclometer, $1.25; 1 bottle Machine Oil, 25c.; 1 Bicycle Lamp, $3.75; 1 Bicycle Bell, $1.50. Also charged him for repairing front wheel, 50c.

" 17. The Western Bicycle Co. have drawn a draft on us at 10 days' sight for the balance of their account, $150. Accepted the draft.

Direction. Make only memorandum in day-book, and then draw the draft and accept it properly. See form, page 49.

April 20. Paid rent for April, per check, $75.

" 22. James Fisher has paid us Cash to be applied to his account, $20.

" 23. Sold to the Ladies' Cycling Club, 6 Bicycles, Ladies' Model, @ $90, $540. Received in payment a check on Merchants' Bank.

Direction. Checks are entered as Cash when received.

April 23. Deposited in bank, $ 500.

Direction. Your check book should show all deposits.

April 24. Paid errand boy one week's wages, $ 4.50.
" 24. Paid Wm. Hart Cash for work to date, $ 35.50.
" 26. Sold for Cash, 1 Bicycle, Model "A," $ 100; 1 Luggage Carrier, $ 4.80; 1 Bicycle Stand, $ 2.00.
" 26. Deposited in bank, $ 220.
" 27. Paid per check, Western Bicycle Co.'s draft on us of the 17th, $ 150.

Direction. Debit the Western Bicycle Co. in the day-book. Make an entry also in cash-book.

April 28. Sold to Frank Davis on %, 1 Bicycle, Model "C," $ 80.
" 29. Cash received for repairs, $ 27.50.
" 30. Sold for Cash, 1 Tandem Bicycle, $ 150.
" 30. Paid errand boy to date, $ 3.75.
" 30. Paid Wm. Hart to date, $17.50.

When the amounts have been properly posted, the ledger accounts will be as follows:

Western Bicycle Co., total debit, $575; credit, $575. James Fisher, debit, $100; credit, $70. Spalding & Bidwell, debit, $100; credit, $172.50. Frank Davis, debit, $87.25.

The Cash on hand should be $921.15.

Merchandise unsold is valued at $65.70.

Required a statement showing the resources, liabilities, and net gain. See form, page 36.

Set II

May 4. J. B. Edwards, proprietor of a General Store in a small town, has on hand a stock of goods valued at $ 4270.35, also Cash on hand and in bank, $ 278.45.
" 4. Sold to S. W. Childs on %, 1 Lawn Mower, $ 5.25; 1 Scythe, $ 1.50; 5 gals. Maple Syrup, @ 60c., $ 3.00; 1 bbl. Flour, $ 4.75.
" 5. John Wells, a carpenter, has repaired floor in store and made new counters, for which we have credited him, $ 38.75.

May 6. Received Cash from petty sales, $ 87.30.

" 7. Bought on %c from Crawford & Mills, manufacturers, Boots and Shoes, per invoice, $ 137.60. Paid freight and cartage on same, $ 11.25.

" 8. Sold to Mrs. A. M. Boyd on %c, 8 lbs. Boneless Fish @ 12c., 96c.; 3 bottles French Sauce @ 23c., 69c.; 8 yds. Storm Serge @ 95c., $ 7.60.

" 9. Bought of Geo. Dillon two horses, valued @ $ 260. Paid him Cash, $ 60, and gave him our note @ 20 days, for $ 200.

" 11. Sold to B. L. Robinson on %c, 2 bu. Salt @ 45c., 90c.; 1 box Herring, 35c.; 1 Lantern, $ 1.75; 2 pairs Children Shoes @ $ 1.50, $ 3.00.

" 12. Gave John Wells an order on S. W. Childs for $ 10.

" 14. Received Cash for petty sales, $ 72.60.

" 15. Have ordered goods from Shaler & Logan, wholesale dealers, as follows: 5 Royal Lawn Mowers; 12 Screen Doors, 3 × 6; 10 Shovels (long handles); 5 kegs Nails, 8's; 3 kegs Nails, 10's. Write the order for these goods.

" 16. Received of Mrs. A. M. Boyd on %c, $ 5.00.

" 18. Loaned Frank Bell $ 50.00 and received his note @ 30 days.

" 19. Sold to S. W. Childs on %c, 1 Pitchfork, 75c.; 1 Hollow Plane, $ 1.25; 1 Lamp, $ 3.75.

" 20. Received Cash from petty sales, $ 49.80.

" 22. Paid Crawford & Mills Cash on %c, $ 120.

" 23. The goods ordered on the 15th have been received, and we have credited Shaler & Logan for $ 79.25. Paid freight on goods, $ 4.60.

" 25. Received for petty sales, Cash, $ 96.40.

" 26. Sold to B. L. Robinson on %c, 1 Clothes Wringer, $ 4.75; 1 Carpet Sweeper, $ 3.25; 2 Door Screens @ $ 2.00, $ 4.00.

" 27. Bought of James Booth on %c, a Two-seated Wagon, $ 125.

" 29. Gave John Wells an order on B. L. Robinson for $ 15.

" 29. Paid my note of the 9th, to Geo. Dillon, due this day, for $ 200.

May 30. James Booth has given John McCarty an order on us for groceries in our store to the value of $8.50, which has been filled.

" 30. Paid Shaler & Logan in full of %, $79.25.

" 30. Received Cash from petty sales, $127.30.

If no mistakes have been made, your ledger accounts will show the following results: S. W. Childs, debit, $20.25; credit, $10. John Wells, debit, $25; credit, $38.75. Crawford & Mills, debit, $120; credit, $137.60. Mrs. A. M. Boyd, debit, $9.25; credit, $5.00. B. L. Robinson, debit, $18.00; credit, $15.00. Shaler & Logan, debit, $79.25. credit, $79.25. James Booth, debit, $8.50; credit, $125.

Cash on hand ——?

Inventory of Merchandise, $4384.50.

Due from Frank Bell on his note, $50.

Required a statement.

Set III

Hardware Business

(Practice in Notes, Drafts, Checks, and Bills)

Nov. 4. James C. Hubbard began the Hardware business this day with the following resources: Cash on hand and in bank, $8154.25. Hardware per inventory, $6274.85. Paid rent for November, per check, $125.

Directions. Open an account in the ledger for the proprietor, and credit him for his total investment. Allow seven or eight lines for each account in the ledger.

Nov. 5. Bought of A. B. Cole & Co. on %, Merchandise per invoice, $2157.80. Have hired James Fanshaw as salesman, agreeing to pay him $14 per week. (Mem.) Received for Cash sales this day, $128.30.

" 6. Sold to E. G. Robinson on %, 1 Refrigerator, $23.50; 1 Washing Machine, $14.25; 1 Clothes Wringer, $6.75. Paid for Coal, 3 tons @ $5.25.

" 7. Bought of Union Mfg. Co. on %, Mdse. per invoice, $792.40.

" 8. Sold to Ellis & Dobson on %, 1 "B. S." Furnace, complete, $77.50; 1 ton Sash Weights, $24.30; 3 kegs 20*d.* Wire Nails @ $3.20; 2 kegs 8*d.* Wire Nails @ $2.95; 1 Lock, $6.25; 1 doz. No. 303 Locks, $5.25. Received in part payment, Cash, $50.

Nov. 9. Received for Cash sales, $117.20. Paid salesman, $14.

" 11. A. B. Cole & Co. have drawn a sight draft on us in their own favor for $500, which we have paid per check on North National Bank.

" 12. Sold to Geo. H. Perkins on %, 1 Carpet Sweeper, $5.50; 1 Ice Cream Freezer, $3.75; 1 doz. Knives and Forks, $5.40; 1 Hatchet, 75c.

" 13. Gave A. B. Cole & Co. our note @ 30 days for balance due on %, $1657.80. Received for Cash sales, $46.30.

" 15. Paid Union Manufacturing Co. on %, per check, $450.

" 16. Received for Cash sales, $138.45. Paid clerk, $14.

" 18. Sold A. J. Murphy, builder, on %, 5 kegs 20*d.* Wire Nails @ $3.20; 3 kegs 16*d.* Wire Nails @ $3.10; 2 Steel-clad Bath Tubs @ $25; 1 Novelty Furnace, complete, $67; 1 Brick Set Range, $23.50; 7 pr. Bronze Butts @ $1.40.

" 20. Bought of A. B. Cole & Co. on %, Merchandise per invoice, $258.35.

" 21. Sold to E. G. Shaw on %, 1 Laundry Stove, $11.50; 1 Coffee Mill, $1.75; 1 Carpet Stretcher, 80c.

" 22. Received from Ellis & Dobson on %, their check on Union National Bank for $35.

" 23. Received from Cash sales, $147.20. Paid for stationery, $7.45, and clerk hire, $14.

" 25. Drew a draft on A. J. Murphy @ 10 days' sight, for balance of his account, $175.60, and sent same to Union Manufacturing Co. to apply on their account.

" 26. Sold to Geo. H. Perkins on %, 1 Hand Saw, $1.45; 1 Oil Stove, $4.25.

" 27. Received of E. G. Shaw, Cash in full of %, $14.05.

" 28. Sold to A. J. Murphy on %, 2 Set Tubs @ $18.50; 3 Marble Basins @ $11.25; 1 ton Sash Weights, $24.30; 20 rolls Rosin Paper @ 80c.; 6 "S. D." Locks @ $1.45; 1 Front Door Lock, $7.

" 29. Paid for cartage, $3.25.

" 30. Received from Cash sales, $115.20. Paid for clerk hire, $14. Sent bill to E. G. Robinson for amount sold him on the 6th.

Inventory of Merchandise on hand, $8626.20. We owe A B. Cole & Co. on our note, $1657.80.

The statement for the above set, when completed, should show a net gain for the month of $138.80.

Business forms to be written for preceding set: Draft on the 11th. Check on the 11th. Note on the 13th. Check on the 15th. Draft on the 25th. Bill on the 30th.

Set IV

(Continuation of Set III)

Dec. 2. James C. Hubbard, dealer in Hardware, has resources and liabilities on Dec. 2, as follows: Resources, — Cash on hand and in bank, $7788.50; Merchandise, per inventory, $8626.20; due from the following persons on %, — E. G. Robinson, $44.50; Geo. H. Perkins, $21.10; A. J. Murphy, $126.75; Ellis & Dobson, $43.80. Liabilities, — Due A. B. Cole & Co. on %, $258.35; Union Manufacturing Co., $166.80; and a note for $1657.80, payable to A. B. Cole & Co., due Dec. 13.

For the note make memorandum in day-book. No other entry need be made in the day-book for the above resources and liabilities if the accounts in the preceding set have been closed. When the balance is brought down in the ledger for each new account, the amounts should correspond with the amounts given above, and the proprietor's account will be credited for $14,567.90.

Dec. 3. Paid rent for December, per check, $125. Sold to Ellis & Dobson on %, 4 kegs 8*d*. Wire Nails @ $3; 2 kegs 10*d*. Wire Nails @ $3.10; 3 Double "S. D." locks @ $1.50; 5 prs. Bronze Butts @ $1.40.

" 4. Received of E. G. Robinson on %, his check on Merchants' Bank for $35.

" 5. Bought of Union Manufacturing Co., on % Mdse. per invoice, $342.50.

" 5. Hired Walter Marshall as clerk, agreeing to pay him $12 per week. (Mem.)

Dec. 6. Sold to T. J. Philips on %, 1 Step Ladder, $1.35; 1 Wheelbarrow, $4.50; 2 Chest Locks @ $1.35; 1 Treasure Box (9 × 6), $3.50.

" 7. Received for Cash sales, $152.90. Paid clerk hire, $20.

" 9. Bought Horse and Delivery Wagon from J. M. Harvey for $185. Paid him Cash, $60, and gave note @ 15 days for balance, $125. (C. B., also Mem. in D. B.)

" 10. Sold James LeRoy for Cash, 1 Parlor Stove, $14.50.

" 11. The Union Manufacturing Co. have drawn a draft @ 12 days' sight on us in favor of H. P. Wheeler, for $166.80, which we have accepted.

" 12. Sold to A. J. Murphy, builder, on %, 6 doz. Sash Lifts @ 60c.; 1 Grindstone, $2.75; 2 Jack Planes, No. 105, @ $3.40; 2 Smooth Planes, No. 104, @ $2.75; 4 kegs 8*d*. Wire Nails @ $3.

" 13. Paid our note to A. B. Cole & Co., due to-day, per check on North National Bank, $1657.80.

" 14. Received from Cash sales, $165.80. Paid clerk hire, $26.

" 16. Sold to E. G. Robinson, on %, 1 Monitor Stove, $12.50; 1 Zinc Stove Board, $1.50; 1 Student's Lamp, $3.75; 2 prs. Shelf Brackets @ 25c.

" 18. Bought of A. B. Cole & Co. on %, Merchandise, per invoice, $428.50.

" 20. Received of Ellis & Dobson on %, $50.

" 21. Received for Cash sales, $210.25. Paid clerk hire, $26.

" 23. Paid in Cash our acceptance of the 11th, $166.80.

" 24. Paid our note to J. M. Harvey due this day, per check, $125.

" 26. Sold to S. D. Thomas & Sons, builders, on %, 3 kegs 20*d*. Wire Nails @ $3; 2 kegs 10*d*. Wire Nails @ $3; 2 kegs 8*d*. Wire Nails @ $2.95; 1 Novelty Furnace, $65; 1 Steel-clad Bath Tub, $22.50; 6 prs. Bronze Butts @ $1.40.

" 27. Received of A. J. Murphy Cash on %, $100.

" 28. Received from Cash sales, $235.40. Paid clerk hire, $26.

" 30. Paid for repairs on wagon, $4.75. Sent to Ellis & Dobson a statement of their account.

Dec. 31. Received of Geo. H. Perkins, his check on Mechanics' Bank for the balance of his account, $ 21.10.

Inventory of Merchandise on hand, $ 8920.25.
Net Gain, $ 96.90.
Required a statement.

Direction. Close the proprietor's account after entering on the credit side his net gain.

Business forms required for the preceding set.

Check on the 3d. Note on the 9th. Draft on the 11th. Check on the 13th. Check on the 24th. Statement of personal account on the 30th.

For additional exercises in Short Sets, see page 96.

Example A

Remarks. In the following Example you will find fully illustrated a complete set of books, consisting of the day-book, cash-book, sales-book, bill-book, and ledger.

The books required in a complete set depend entirely upon the nature and extent of the business. In a small business, or even in a large business, when the transactions are chiefly for Cash, the day-book, in some form, with the cash-book, may answer all requirements as books of original entry, while in a larger business these books alone would be very inconvenient if not totally inadequate.

It is easy to understand how the day-book entries may be divided and written in various books. For example, a separate book may be used exclusively for sales, called a sales-book, another for purchases, called an invoice-book, and still another for notes and drafts, called a bill-book.

Other auxiliary books are sometimes used, but it is the aim of this work to confine the attention of the beginner to the essential forms only.

The sales-book, which is explained on another page, is here thrown in as a suggestion of what may be accomplished by Single Entry, a system which, although inferior to Double Entry, has been satisfactory to thousands of successful merchants.

The Books

The **Sales-Book** is employed exclusively as a record of the sales of Merchandise. In almost every business there are two kinds of sales, called time sales, and Cash sales. The

Cash sales in this example have been entered in the cash-book, as in the preceding sets, but the time sales, that is, the sales to persons on account, and on notes, have been entered in the sales-book. From this book the amounts have been carried directly to the ledger, each person being debited for the amount of his purchases. If, however, the sale was not on account, but on a note, the amount has been carried from the sales-book to the bill-book.

The day-book remains the same as in former examples, except that all sales are omitted. The other books used in this set, cash-book, bill-book, and ledger, have been fully explained in the preceding pages.

It is designed that the sales-book, as well as the day-book, should be posted at the end of each week, and at the same time the cash-book balanced and the footings entered for all the books.

Transactions for Example A

Rochester, N. Y., Sept. 4, 189–. Robert Taylor and James Scott have this day entered into partnership for the purpose of carrying on the Furniture and Carpet business. The name of the firm is to be Taylor & Scott, and the gains and losses are to be divided equally.

Robert Taylor invests Merchandise, per inventory, $ 4320; Store Fixtures, $ 540; Cash, per cash-book, $ 1240. Also an account against Samuel Archer for $ 275. The firm assumes to pay for Taylor his note of $ 530, to F. J. Miller, due Sept. 25.

James Scott invests Cash, $ 5000. They have opened an account with the North National Bank, depositing $ 5800 in the name of the firm.

First Week

Sept. 5. Sold Geo. W. Clark on %, 1 Oak Extension Table, $ 22; 6 Dining Chairs @ $ 3; 40 yds. Carpet @ 90c. Paid for stationery and postage, $ 1.90.

" 6. Bought Merchandise of Long & Bennett on %, per invoice, $ 974.50. Sold Merchandise to James Turner for Cash, $ 32.75.

Sept. 7. Sold Howard Stanton on %, 1 Bookcase, $75; 1 Library Table, $ 42; 2 Revolving Chairs @ $ 10. Paid store rent for Sept., $ 120.

" 8. Sold to S. W. Sherwood, on his note at 5 days, 1 Mahogany Table, $ 40; 1 Folding Bed, $ 80. Paid Long & Bennett on %, per check, $ 300.

Remark. Many book-keepers omit from the day-book transactions like the last, posting such entries in the ledger directly from the cash-book.

Sept. 9. Geo. W. Clark has paid us Cash on %, $ 50. Sold Edwin Banks on %, 2 Cherry Beds @ $ 40; 2 Cherry Bureaus @ $ 50; 2 Cherry Wash-stands @ $ 20; 4 Easy-chairs @ $ 12. Received for Cash sales this day, $ 528.40. Deposited in bank, $ 887.

Second Week

Sept. 11. Sold Chas. A. Shepard on %, 40 yds. Velvet Carpet @ $ 1.50; 30 yds. Brussels Carpet @ 95c.; 2 rolls Matting @ $ 10. Paid for printing and stationery, $ 12.

" 12. Gave Long & Bennett on %, our note @ 15 days for $ 500. Paid for repairs on store, $ 6.40.

" 13. Sold to Wm. Coleman Merchandise per bill. Received in payment his check, $ 37.50.

" 14. Received of S. W. Sherwood $ 120 in payment of his note due to-day. Bought Merchandise of Parker & Hale per invoice, $ 642.75. Gave in part payment check for $ 200. Sold to Geo. W. Clark on %, 1 Brass Bed, $ 65; 1 Chiffonier, $ 43; 3 Chairs @ $ 12.50.

" 15. Sold to A. G. Burke, on note @ 30 days, 1 Parlor Suit, $ 137.50; 80 yds. Royal Wilton Carpet @ $ 1.35. Received of Edwin Banks Cash on %, $ 25.

" 16. Bought of Star Manufacturing Co. on %, Merchandise per invoice, $ 312.70. Paid cartage, $ 2.25. Received for Cash sales, $ 417.65. Deposited in bank, $ 580.

Third Week

Sept. 18. Received of Edwin Banks, Cash, $43, and his note @ 10 days for balance, $200. Sold to Chas. A. Shepard on %, 1 Brass Bed, $57.30.

" 19. Long & Bennett have drawn a draft on us in their own favor, @ 10 days' sight, for balance of their account, $174.50. Accepted same. Paid clerk hire, $25.

" 20. Sold to A. W. White for Cash Merchandise per bill, $132.50. Received of Chas. A. Shepard his note @ 30 days on %, $108.50.

" 21. Bought Delivery Wagon, $135, and paid for same with check. Sold to Edwin Banks on %, 1 roll Matting, $10; 2 Japanese Rugs @ $2.50; 1 Smyrna Rug, $11.50.

" 22. Have drawn a sight draft on Samuel Archer for balance of his account, $275, in favor of Star Manufacturing Co. James Scott has drawn Cash for private use, $175.

" 23. Sold to Geo. Fischer & Co. on % 50 yds. Brussels Carpet @ $1.20; 1 Chiffonier, $45; 1 Folding Bed, $80. Received for Cash sales, $457.80. Deposited in bank, $400.

Fourth Week

Sept. 25. Sold to Robert Fuller, on his note @ 60 days, 1 Parlor Suit, $225; 100 yds. Velvet Carpet @ $1.50; 1 Cabinet, $60; 1 Parlor Table, $40. Paid per check our note to J. F. Miller, due to-day, $530.

" 26. Sold Geo. Fischer & Co. on %, 2 Easy-chairs @ $12.50; 1 Bookcase, $53.75. Sold to D. R. Gay for Cash Merchandise per bill, $198.40. Paid for insurance on goods, $28.

" 27. Paid per check our note of the 12th to Long & Bennett, $500. Received of Howard Stanton Cash on %, $60. Bought Merchandise of J. R. Spencer, per invoice, $350, and gave in payment our note @ 30 days.

Sept. 28. Received from Edwin Banks, in payment of his note due to-day, his check for $200. Paid clerk hire, $30.

" 29. Sold to Samuel Archer on %, 1 Sideboard, $68; 1 Extension Table, $36.60; 2 Smyrna Rugs @ $37; 106 yds. Velvet Carpet @ $1.20. Bought of Long & Bennett on %, Merchandise per invoice, $450. Paid cartage on goods, $3.40. Paid per check our acceptance, being Long & Bennett's draft of the 19th for $174.50.

" 30. Paid per check Parker & Hale's sight draft on us in their favor for $175. Sold to Howard Stanton on %, 1 Center Table, $22.25; 1 Secretary, $35. Received from Cash sales, $595.60. Robert Taylor has drawn Cash for private use, $150. Deposited in bank, $775.

Inventory of Merchandise valued at $2935.45.
Inventory of Store Fixtures valued at $670.

Day-Book, Example A

Rochester, N.Y., Sept. 4, 189–

ROBERT TAYLOR,	*Cr.*				
By Merchandise, per inventory,		4320	00		
" Store Fixtures,		540	00		
" Cash, per C. B.,		1240	00		
" Samuel Archer's %,		275	00	6375	00
CONTRA,	*Dr.*				
To note to J. F. Miller, per B. B.,				530	00
4					
JAMES SCOTT,	*Cr.*				
By Cash, per C. B.,				5000	00
4					
SAMUEL ARCHER,	*Dr.*				
To amount due Robert Taylor,				275	00

Rochester, N.Y., Sept. 6, 189–

LONG & BENNETT, *Cr.*
By Merchandise, per inventory, 974 50

8

LONG & BENNETT, *Dr.*
To Check, 300 00

9

GEO. W. CLARK, *Cr.*
By Cash on %, 50 00

Second Week

12

LONG & BENNETT, *Dr.*
To Note @ 15 days, 500 00

14

PARKER & HALE, *Cr.*
By Merchandise, 642 75
CONTRA, *Dr.*
To Check, 200 00

15

EDWIN BANKS, *Cr.*
By Cash, 25 00

16

STAR M'F'G CO., *Cr.*
By Merchandise, 312 70

Third Week

18

EDWIN BANKS, *Cr.*
By Cash, 43 00
" Note to balance %, 200 00 243 00

19

LONG & BENNETT, *Dr.*
To Accepted Draft, 174 50

Rochester, N.Y., Sept. 20, 189–

CHAS. A. SHEPARD,	*Cr.*		
By note @ 30 days,			108 50
22			
SAMUEL ARCHER,	*Cr.*		
By draft (favor of) Star M'f'g Co.,			275 00
22			
STAR M'F'G CO.,	*Dr.*		
To draft on Samuel Archer,		275 00	
22			
JAMES SCOTT,	*Dr.*		
To Cash,		175 00	
Fourth Week			
27			
HOWARD STANTON,	*Cr.*		
By Cash on %,			60 00
29			
LONG & BENNETT,	*Cr.*		
By Merchandise, per invoice,			450 00
30			
PARKER & HALE,	*Dr.*		
By Check		175 00	
30			
ROBERT TAYLOR,	*Dr.*		
By Cash,		150 00	

Sales-Book, Example A

Rochester, N. Y., Sept. 5, 189–

GEO. W. CLARK, On %.			
To 1 Oak Extension Table,	22 00		
" 6 Dining Chairs @ $3,	18 00		
" 40 yds. Carpet @ 90c.,	36 00	76	00
7			
HOWARD STANTON, On %.			
To 1 Bookcase,	75 00		
" Library Table,	42 00		
" 2 Revolving Chairs @ $10,	20 00	137	00
8			
S. W. SHERWOOD, Note @ 5 days.			
To 1 Mahogany Table,	40 00		
" 1 Folding Bed,	80 00	120	00
9			
EDWIN BANKS, On %.			
To 2 Cherry Beds @ $40,	80 00		
" 2 " Bureaus @ $50,	100 00		
" 2 " Wash-stands @ $20,	40 00		
" 4 Easy-chairs @ $12,	48 00	268	00
Second Week			
11			
CHAS. A. SHEPARD, On %.			
To 40 yds. Velvet Carpet @ $1.50,	60 00		
" 30 yds. Brussels Carpet @ 95c.,	28 50		
" 2 rolls Matting @ $10,	20 00	108	50
14			
GEO. W. CLARK, On %.			
To 1 Brass Bed,	65 00		
" 1 Chiffonier,	43 00		
" 3 Chairs @ $12.50,	37 50	145	50
15			
A. G. BURKE, Note @ 30 days.			
To 1 Parlor Suit,	137 50		
" 80 yds. Royal Wilton Carpet @ $1.35,	108 00	245	50

Rochester, Sept. 18, 189–

Third Week

18

CHAS. A. SHEPARD, On %.
To 1 Brass Bed, 57 30

21

EDWIN BANKS, On %.
To 1 roll Matting, 10 00
" 2 Japanese Rugs @ $2.50, 5 00
" 1 Smyrna Rug, 11 50 26 50

23

GEO. FISCHER & Co., On %.
To 50 yds. Brussels Carpet @ $1.20, 60 00
" 1 Chiffonier, 45 00
" 1 Folding Bed, 80 00 185 00

Fourth Week

25

ROBERT FULLER, Note @ 60 days.
To 1 Parlor Suit, 225 00
" 100 yds. Velvet Carpet @ $1.50, 150 00
" 1 Cabinet, 60 00
" 1 Parlor Table, 40 00 475 00

26

GEO. FISCHER & Co., On %.
To 2 Easy-chairs @ $12.50, 25 00
" 1 Bookcase, 53 75 78 75

29

SAMUEL ARCHER, On %.
To 1 Sideboard, 68 00
" 1 Extension Table, 36 60
" 2 Smyrna Rugs @ $37, 74 00
" 106 yds. Velvet Carpet @ $1.20, 127 20 305 80

30

HOWARD STANTON, On %.
To 1 Center Table, 22 25
" 1 Secretary, 35 00 57 25

Bill-Book, Example A

Bills Receivable

No.	When Received	For what Received	Maker or Drawee	In whose Favor	Date	Time	When Due	Amount	When and How Disposed of
1	Sept. 8	Merchandise	S. W. Sherwood	Taylor & Scott	Sept. 8	5 days	Sept. 13	$120.00	Paid Sept. 14
2	Sept. 15	Merchandise	A. G. Burke	Taylor & Scott	Sept. 15	30 days	Oct. 15	245.50	
3	Sept. 18	In full of %	Edwin Banks	Taylor & Scott	Sept. 18	10 days	Sept. 28	200.00	Paid Sept. 28
4	Sept. 20	In full of %	Chas. A. Shepard	Taylor & Scott	Sept. 20	30 days	Oct. 20	108.50	
5	Sept. 25	Merchandise	Robert Fuller	Taylor & Scott	Sept. 25	60 days	Nov. 24	475.00	

Bills Payable

No.	When Issued	For what Issued	Maker or Drawee	In whose Favor	Date	Time	When Due	Amount	When and How Disposed of
1	Aug. 26	Merchandise	Robert Taylor	J. F. Miller	Aug. 26	30 days	Sept. 25	$530.00	Paid Sept. 25
2	Sept. 12	On %	Taylor & Scott	Long & Bennett	Sept. 12	15 days	Sept. 27	500.00	Paid Sept. 27
3	Sept. 19	On %	Taylor & Scott	Long & Bennett	Sept. 19	10 days' sight	Sept. 29	174.50	Paid Sept. 29
4	Sept. 27	Merchandise	Taylor & Scott	J. R. Spencer	Sept. 26	30 days	Oct. 26	350.00	

Cash **Dr.**

Sept.	4	Robert Taylor,	investment,	1240	00		
"	4	James Scott,	"	5000	00		
"	6	Merchandise,	sold to James Turner,	32	75		
"	9	Geo. W. Clark,	on account,	50	00		
"	9	Merchandise sales,		528	40	6851	15
						6851	15
Sept.	12	Amount on hand,				6429	25
"	13	Merchandise,	sold to Wm. Coleman,	37	50		
"	14	Bills Receivable,	Sherwood's note,	120	00		
"	15	Edwin Banks,	on account,	25	00		
"	16	Merchandise sales,		417	65	600	15
						7029	40
Sept.	18	Amount on hand,				6808	75
"	18	Edwin Banks,	on account,	43	00		
"	20	Merchandise,	sold to A. W. White,	132	50		
"	23	Merchandise sales,		457	80	633	30
						7442	05
Sept.	25	Amount on hand,				7107	05
"	26	Merchandise,	sold to D. R. Gay,	198	40		
"	27	Howard Stanton,	on account,	60	00		
"	28	Bills receivable,	Edwin Banks' note,	200	00		
"	30	Merchandise sales,		595	60	1054	00
						8161	05

Cash *Cr.*

Sept.	**4**	**Expense,**	**postage and stationery,**	**1**	**90**		
"	**7**	**Expense,**	**rent for September,**	**120**	**00**		
"	**8**	**Long & Bennett,**	**per check,**	**300**	**00**	**421**	**90**
"	9	Balance,				6429	25
						6851	**15**
Sept.	**11**	**Expense,**	**printing and stationery,**	**12**	**00**		
"	**11**	**Expense,**	**repairs on store,**	**6**	**40**		
"	**14**	**Parker & Hale,**	**per check,**	**200**	**00**		
"	**16**	**Expense,**	**cartage,**	**2**	**25**	**220**	**65**
"	16	Balance,				6808	75
						7029	**40**
Sept.	**19**	**Expense,**	**clerk hire,**	**25**	**00**		
"	**21**	**Expense,**	**delivery wagon, per check,**	**135**	**00**		
"	**22**	**James Scott,**	**for private use,**	**175**	**00**	**335**	**00**
"	23	Balance,				7107	05
						7442	**05**
Sept.	**25**	**Bills Payable,**	**note to J. E. Miller, per check,**	**530**	**00**		
"	**26**	**Expense,**	**insurance on goods,**	**28**	**00**		
"	**27**	**Bills Payable,**	**note to Long & Bennett, per check,**	**500**	**00**		
"	**28**	**Expense,**	**clerk hire,**	**30**	**00**		
"	**29**	**Expense,**	**cartage,**	**8**	**40**		
"	**29**	**Bills Payable,**	**Long & Bennett's draft, per check,**	**174**	**50**		
"	**30**	**Parker & Hale,**	**sight draft, per check,**	**175**	**00**		
"	**30**	**Robert Taylor,**	**private use,**	**150**	**00**	**1590**	**90**
"	30	Balance,				6570	15
						8161	**05**

Ledger, Example A

Dr. ***Robert Taylor*** (Proprietor) **Cr.**

Sept.	4	To Note	580	00	Sept.	4	By Inventory	6375	00
"	30	" Cash	150	00					

Dr. ***James Scott*** (Proprietor) **Cr.**

Sept.	22	To Cash	175	00	Sept.	4	By Cash	5000	00

Dr. ***Samuel Archer*** **Cr.**

Sept.	4	To amount due Taylor	275	00	Sept.	22	By Draft	275	00
"	22	" Merchandise	305	80					

Dr. ***Long & Bennett*** **Cr.**

Sept.	8	To Check	300	00	Sept.	6	By Merchandise	974	50
"	12	" Note 15 ds.	500	00	"	22	" "	450	00
"	19	" Acceptance	174	50					

Dr. ***Geo. W. Clark*** **Cr.**

Sept.	5	To Merchandise	76	00	Sept.	9	By Cash on a/c	50	00
"	14	" "	145	50					

Dr. ***Parker & Hale*** **Cr.**

Sept.	14	To Check	200	00	Sept.	14	By Merchandise	642	75
"	30	" "	175	00					

Dr. ***Edwin Banks*** **Cr.**

Sept.	9	To Merchandise	268	00	Sept.	15	By Cash	25	00
"	21	" "	26	50	"	18	" Sundries	248	00

Dr. **Star Manufacturing Co.** ***Cr.***

Sept.	22	To Draft on Archer	275	00	Sept.	16	By Merchandise	312	70

Dr. **Howard Stanton** ***Cr.***

Sept.	7	To Merchandise	137	00	Sept.	27	By Cash	60	00
"	30	" "	57	25					

Dr. **Chas. A. Shepard** ***Cr.***

Sept.	11	To Merchandise	108	50	Sept.	20	By Note at 30 ds.	108	50
"	18	" "	57	80					

Dr. **Geo. Fischer & Co.** ***Cr.***

Sept.	23	To Merchandise	185	00					
"	26	" "	78	75					

Abstract of Ledger, Example A

Accounts	*Dr.*		*Cr.*	
Robert Taylor (Proprietor),	680	00	6375	00
James Scott (Proprietor),	175	00	5000	00
Samuel Archer,	580	80	275	00
Long & Bennett,	974	50	1424	50
Geo. W. Clark,	221	50	50	00
Parker & Hale,	375	00	642	75
Edwin Banks,	294	50	268	00
Star Manufacturing Co.,	275	00	312	70
Howard Stanton,	194	25	60	00
Chas. A. Shepard,	165	80	108	50
Geo. Fischer & Co.,	263	75		
	4200	10	14516	45

Statement

RESOURCES —				
Bills Receivable, per B. B.,	829	00		
Merchandise, per inventory,	2935	45		
Store Fixtures, per inventory,	670	00		
Cash on hand,	6570	15		
Samuel Archer,	305	80		
Geo. W. Clark,	171	50		
Edwin Banks,	26	50		
Howard Stanton,	134	25		
Chas. A. Shepard,	57	30		
Geo. Fischer & Co.,	263	75	11963	70
LIABILITIES —				
Bills Payable, per B. B.,	350	00		
Long & Bennett,	450	00		
Parker & Hale,	267	75		
Star Manufacturing Co.,	37	70	1105	45
Net Capital,			10858	25
Capital at beginning or Net Investment,			10520	00
Net Gain,			338	25
Robert Taylor's Net Investment,	5695	00		
" " ½ Net Gain,	169	13		
" " Net Capital,			5864	13
James Scott, Net Investment,	4825	00		
" " ½ Net Gain,	169	12		
" " Net Capital,			4994	12

Set V

Remark. This set may be worked by the use of a special sales-book, as in Example A, or by using merely the day-book for all sales, as illustrated in the earlier sets. In either case, at the end of each week the transactions should be posted and the cash account balanced.

Rochester, N.Y., Oct. 2, 189–. Taylor & Scott having dissolved partnership, Robert Taylor continues the Furniture business recorded in Example A, with the following resources and

liabilities. Resources: Cash on hand and in bank, $1576.03; Merchandise per inventory, $2935.45; Store Fixtures, $670; A. G. Burke's note for $245.50; Chas. A. Shepard's note for $108.50; Robert Fuller's note for $475; Samuel Archer's %, $305.80; Geo. W. Clark's %, $171.50; Edwin Banks' %, $26.50; Howard Stanton's %, $134.25; Chas. A. Shepard's %, $57.30; Geo. Fischer & Co.'s %, $263.75. Liabilities: Due J. R. Spencer on note, $350; Long & Bennett on %, $450; Parker & Hale on %, $267.75; Star Manufacturing Co. on %, $37.70.

Direction. Credit the account of Robert Taylor, proprietor, in the ledger for the sum of the above resources, and debit his account for the sum of the liabilities. Also in the ledger open an account with each person who owes the firm, debiting him for the amount he owes. Enter in the bill-book (Bills Receivable) the different amounts due on notes. Credit in the ledger each person the firm owes. The note due J. R. Spencer should be entered in the bill-book (Bills Payable).

Oct. 3. Bought of Long & Bennett on %, Merchandise per invoice, $126.50.

" 4. Sold to Samuel Arcner on %, 1 Parlor Suit, $72.50; 1 Bedroom Suit, $38.75.

" 5. Paid rent for October per check, $120.

" 6. Received of Geo. W. Clark Cash on %, $87.50. Sold to Edwin Banks on %, 60 yds. Velvet Carpet @ $1.25; 1 Extension Table, $14.50; 1 Bookcase, $32.75.

" 7. Paid clerk hire, $27. Received for Cash sales, $235.60.

Second Week

Oct. 9. Sold to Chas. A. Shepard on %, 1 Revolving Chair, $11.50; 1 Library Table, $21.25; 1 Chiffonier, $32. Paid Parker & Hale on %, per check, $175.

" 10. Received from Samuel Archer his note @ 30 days to balance his %, $417.05.

" 11. Sold to Howard Stanton on %, 36 yds. Brussels Carpet @ 90c.; 2 rolls Matting @ $8.25; 2 Smyrna Rugs @ $4.75. Received for Cash sales, $25.

Oct. 12. Paid for printing circulars, $3.80. Received from Edwin Banks on %, his check for $100.

" 13. Sold Geo. Fischer & Co. on %, 1 Smyrna Rug (10 × 12), $27. Received of Chas. A. Shepard Cash on %, $50.

" 14. Received for Cash sales, $475.60. Paid clerk hire, $30; cartage, $4.

Third Week

Oct. 16. Received of A. G. Burke $245.50, in payment of his note of Sept. 15.

" 17. The Star Manufacturing Co. have drawn their sight draft on us for balance due, $37.70, which we have paid per check. Paid for advertising, $12.50.

" 18. Sold to Geo. W. Miller on %, 37 yds. Ingrain Carpet @ 95c.; 6 Dining Chairs @ $1.75; 1 Extension Table, $14.75. Paid, per check, Long & Bennett's sight draft on us for $420.

" 19. Bought of H. H. Gilbert, on our note at 20 days, Merchandise per invoice, $158.50 (B. B. only). Received of Geo. W. Clark Cash in full of his %, $84.

" 20. Sold to Martin Ryder, on his note @ 1 mo., 1 Mahogany Bookcase, $85; 1 Library Table, $32.50; 1 Revolving Chair, $12.25. Received Cash of Chas. A. Shepard, in payment of his note of Sept. 20, $108.50.

" 21. Sold Edwin Banks on %, 1 Oak Folding Bed, $48.50; 28 yds. Stair Carpet @ 95c. Received for Cash sales, $380.40. Paid clerk hire, $30.

Fourth Week

Oct. 23. Received of Geo. W. Miller on %, Cash, $25. Sold to Geo. W. Clark, 1 Brass Bed, $38.75; 1 Hair Mattress, $21.50. Paid for cartage, $7.50.

" 24. Have drawn a draft on Chas. A. Shepard for balance of his %, $72.05, and sent same to Parker & Hale to apply on their %. Received Cash of Geo. Fischer & Co. on %, $105.

Oct. 25. Sold to Howard Stanton on %, 50 yds. Brussels Carpet @ $1.20; 1 Rocker, $3.75. Paid sundry expenses, $1.35.

" 26. Bought of Long & Bennett on % Mdse. per invoice, $108.80. Have paid per check our note to J. R. Spencer of Sept. 26, for $350, due to-day.

" 27. Paid Parker & Hale Cash to balance their %, $20.70.

" 28. Received for Cash sales, $416.35. Paid clerk hire, $30.

" 30. Long & Bennett have drawn a draft on us @ 10 days' sight for $150, which we have accepted.

Inventory of Merchandise on hand, $1425.65.
Inventory of Store Fixtures, $650.
Net Gain, $116.10.

Dr.	*Abstract of Ledger*	*Cr.*
$1105.45	Robert Taylor (Proprietor),	$6969.58
417.05	Samuel Archer,	417.05
231.75	Geo. W. Clark,	171.50
223.85	Edwin Banks,	100.00
256.40	Howard Stanton,	
122.05	Chas. A. Shepard,	122.05
290.75	Geo. Fischer & Co.,	105.00
570.00	Long & Bennett,	685.30
267.75	Parker & Hale,	267.75
37.70	Star Manufacturing Co.,	37.70
60.40	Geo. W. Miller,	25.00

Business Forms. Checks on the 5th, 9th, and 18th. Drafts on the 18th, 24th, and 30th. Notes on the 10th, 19th, and 20th.

Set VI

Pittsburg, Nov. 3, 189–. James Hall began the Grocery business this day, with Merchandise on hand valued at $3250.40; Cash on hand and in bank, $3520.60; Store Fixtures, $320. He owes Geo. Eastman on a note dated Oct. 15, payable in 30 days, $275.

Nov. 4. Bought of Joseph Roberts & Co. on %, Merchandise per invoice, $ 692.50. Paid rent for November, $ 80.

" 5. Sold to J. W. Thompson on %, 1 bbl. Flour, $ 5; 25 lbs. Creamery Butter @ 30c.; 5 lbs. Y. H. Tea @ 70c.; 6 gals. Maple Syrup @ $ 1.40. Paid for insurance on goods, $ 15.50.

" 6. Bought of Tilford & Potter on %, Merchandise per invoice, $ 425.75. Received for Cash sales, $ 48.65.

" 7. Sold to S. E. Wallace on %, 50 lbs. Sugar @ 5c.; 24 cans Tomatoes @ 12c.; 24 cans Corn @ 15c.; 1 box Laundry Soap, $ 5. Joseph Roberts & Co. have drawn a draft on us @ 10 days' sight for $ 245, in favor of C. C. Perrin. Accepted same.

" 8. Received of J. W. Thompson, Cash on %, $ 8.50. Paid for clerk hire, $ 16. Received from Cash sales, $ 74.30.

Second Week

Nov. 10. Sold E. R. Gordon on his note, @ 30 days, 10 bbls. Flour @ $ 5.50; 4 bbls. Sugar, 1320 lbs. @ 5½c. Received for Cash sales, $ 38.60.

" 11. Paid Tilford & Potter on %, per check, $ 125. Credited John Milligan for carting goods, $ 7.25.

" 12. Sold to A. C. Forbes on %, 50 lbs. Coffee @ 35c.; 40 lbs. Dried Apples @ 10c.; 25 lbs. Rice @ 8c.; 1 Cheese, 52 lbs. @ 16c. Bought for Cash a Horse and Delivery Wagon, $ 265. Received for Cash sales, $ 63.20.

" 13. Paid for New Counter in store, $ 13.75. Sold to Scott McArthur on %, 1 box Cranberries, $ 3.60; 15 doz. Eggs @ 25c.; 30 lbs. Butter @ 30c.; 1 box Laundry Soap, $ 4. Received of S. E. Wallace, Cash in full of his %, $ 13.98.

" 14. Paid per check my note due to-day to Geo. Eastman, $ 275. Received for Cash sales, $ 72.40.

" 15. Paid for clerk hire, $ 16. Received for Cash sales, $ 84.95.

Third Week

Nov. 17. Paid per check our acceptance of the 7th, due this day, $245. Received for Cash sales, $52.40.

" 18. Bought of Clark & Denning, on our note @ 30 days, Merchandise per invoice, $157.80. Paid for advertising, $12.60. Received of A. C. Forbes on %, $15.

" 19. Sold to David Lock, on his note @ 20 days, 1 box Codfish, $6.40; 1 bag Coffee, $14.80; 1 half chest Oolong Tea, $12.60; 2 bbls. Granulated Sugar, 660 lbs. @ 5½c. Received for Cash sales, $67.50.

" 20. Sold to J. W. Thompson on %, 10 lbs. Coffee @ 40c; 4 pails Leaf Lard @ 65c.; 5 cans Condensed Milk @ 18c.; 20 lbs. Prunes @ 15c.; 1 box Soap, $4.25. Received for Cash sales, $76.15.

" 21. Bought of Joseph Roberts & Co. on %, Merchandise per invoice, $186.35. Paid freight on goods, $3.70.

" 22. Received for Cash sales of Merchandise, $88.20. Paid clerk hire, $16.

Fourth Week

Nov. 24. Sold S. E. Wallace on %, 2 bbls. Potatoes @ $2.75; 2 lbs. Black Tea @ 75c.; 1 box Herrings, $2.25; 24 lbs. Dried Ham @ 12c. Received from Cash sales, $41.70.

" 25. Received from Scott McArthur on %, Cash, $14.50. Paid for repairing wagon, $3.25.

" 26. Paid per check Joseph Roberts & Co.'s sight draft on us for $450. Received for Cash sales, $68.40.

" 27. Sold to A. C. Forbes on %, 3 bbls. Soda Crackers @ $4.20; 6 boxes Butter Crackers @ $1.75; 1 box Raisins, $5; 2 bbls. Apples @ $4.50. Received for Cash sales, $71.25.

" 28. Gave John Milligan, in full of his %, an order on J. W. Thompson for $7.25. Paid for Coal, 2 tons @ $5.25.

" 29. Sold to Scott McArthur on %, 1 box Florida Oranges, $4.75; 1 bbl. Flour, $5.25; 1 box Soap, $2.75. Received from Cash sales, $95.60. Paid clerk hire, $16. Proprietor drew Cash for private use, $120.

Inventory of Unsold Property, — Merchandise, $3668.00; Store Fixtures, $320.00; Horse and Wagon, $265.00.

Net Gain?

Dr.	*Abstract of Ledger*	*Cr.*
$395.00	James Hall (proprietor),	$7091.00
695.00	Joseph Roberts & Co.,	878.85
39.15	J. W. Thompson,	15.75
125.00	Tilford & Potter,	425.75
26.11	S. E. Wallace,	13.98
7.25	John Milligan,	7.25
68.92	A. C. Forbes,	15.00
33.10	Scott McArthur,	14.50

Business Forms. Checks on the 11th, 14th, and 26th. Notes and drafts on the 7th, 10th, 18th, 19th. Order on the 28th.

SHORT SETS

Set VII

Single entry is particularly adapted to a small business, or one in which there is not a great variety of transactions. It is also well adapted to a large business where the sales and purchases are principally for Cash.

A Farmer's Account

Transactions of James McMaster, a farmer:

(Use cash-book and ledger.)

March 1. Cash on hand, $ 27.45.

" 2. Bought of Wm. J. Parsons, 1 bbl. Flour, $ 6.25; 20 lbs. Sugar @ 6c. on %.

" 4. Sold for Cash, 1 ton Hay, $ 14.

" 6. Paid for repairing wagon, $ 3.25.

March 8. Sold to Wm. J. Parsons, 12 bu. Potatoes @ 60c.; 4 doz. Eggs @ 22c. on %.
" 9. Credited John Morris for one week's work, $ 6.60.
" 11. Paid State and County Taxes, $ 21.70.
" 13. Credited Geo. Brown for shoeing horses, $ 2.30.
" 15. Sold for Cash 3 bbls. Apples @ $ 2.90.
" 17. Bought of Wm. J. Parsons, 1 pr. Boots, $ 4.75; 10 yds. Sheeting @ 18c. Paid him $ 3 on %.
" 18. Paid John Morris on %, $ 5.
" 20. Paid traveling expenses to city, $ 3.85.
" 22. Sold for Cash 1 yoke of Oxen, $ 58.
" 23. Credited John Morris for 4 days' work @ $ 1.10, $ 4.40.
" 25. Sold Wm. J. Parsons on %, 20 lbs. Butter @ 21c.; 7 doz. Eggs @ 20c. Bought from him, 3 gals. Molasses @ 38c.; 6 yds. Flannel @ 40c.; 3 gals. Kerosene Oil @ 15c.
" 27. Credited Geo. Brown for mending plow, $ 1.50.
" 30. Paid for Medicines, $ 1.35.
" 31. Sold for Cash 10 bu. Potatoes @ 65c.

Required a statement.

Set VIII

A Merchant Tailor's Account

Books required, — cash-book, ledger, and day-book (in this business generally called an order-book), also a check book.

April 3. James Arnold began business with a stock of goods on hand valued at $ 975.40; also Cash on hand and in bank, $ 327.80.
" 4. Sold for Cash, 1 Coat and Vest (ready made), $ 14.50.
" 5. Paid for Coal, 2 tons @ $ 4.75.
" 6. Bought of Brown Bros. on %, an invoice of goods amounting to $ 142.75.
" 7. S. C. Wallace has ordered a suit of clothes, $ 32.50, to be finished Tuesday, the 11th, and has paid a deposit of $ 10 on same. (Order-book and cash-book.)
" 8. Sold to James Baker on %, 1 Suit (ready made), $ 18.50. Received of him $ 12 in part payment.

April 10. Paid workman's wages, $7.50. Received order from Joseph Reed for 1 Spring Overcoat, $24, to be finished Thursday, the 13th.

" 11. Delivered to S. C. Wallace his suit, ordered on the 7th. Received the balance due on same, $22.50.

" 12. Paid rent for April, $50.

" 13. Delivered to Joseph Reed an overcoat, ordered on the 10th. Received from him Cash on %, $15.

" 14. Received for Cash sales, $38.40.

" 15. Robert Patterson has ordered suit, $28.50, to be finished Tuesday, the 18th, and has paid a deposit of $5 on same. Paid workman's wages, $10.50.

" 17. Paid Brown Bros. Cash on %, $75.

" 18. Delivered to Robert Patterson his suit, ordered on the 15th, and received his check in full for balance due, $23.50.

" 20. Charged James Baker for cleaning and repairing suit of clothes, $3.50.

" 22. Drew Cash for private use, $20.

" 24. Bought from Brown Bros. on %, 1 piece Serge, 28 yds. @ $1.25.

" 26. Sold to Joseph Reed on a/c, 1 pr Trousers (ready made), $5.50.

" 27. Received for Cash sales, $24.80.

" 29. Sold to Robert Patterson on %, 1 pr. Trousers (ready made), $6. Paid workman's wages, $12.

Inventory of goods on hand, $1132.40.
Net Gain, $85.95.

Set IX

Flour, Feed, and Grain Business

Albany, N. Y., Dec. 2, 189–. D. C. Bradford begins the Flour and Feed business this day, with the following resources and liabilities: Resources, Cash on hand, $6000; Edward Wright's note, dated Nov. 14 @ 30 days, $1000. Liabilities, Geo. Reynolds & Co.'s %, $850.

Dec. 2. Bought for Cash, of Hicks & McKinley, an invoice of Merchandise, $2580.

" 3. Sold to A. C. Harvey on %, 30 bbls. Western Flour @ $7; 25 bu. Wheat @ 80c.; 20 bu. Barley @ $1.00. Paid for repairs in store, $27.50.

" 4. Bought Merchandise of Edward Strong per invoice, $1500. Paid Cash, $300, and note @ 10 days for balance, $1200.

" 5. Sold to Chas. Browning on %, 200 bu. Wheat @ 85c.; 150 bu. Oats @ 40c. Sold Merchandise for Cash, $120.

" 6. Paid Geo. Reynolds & Co. Cash on %, $200.

" 7. Bought Merchandise of James T. Lee, on my note @ 30 days, $750. Sold Merchandise for Cash, $115.

" 9. Received of A. C. Harvey his note @ 10 days to balance his %, $250.

" 10. Sold Gardner & Co. on %, 300 bu. Corn @ 60c.; 250 bu. Oats @ 45c.; 150 bu. Wheat @ 90c. Sold Merchandise for Cash, $186.20.

" 12. Received of Chas. Browning Cash on %, $130.

" 13. Paid Geo. Reynolds & Co. Cash on %, $350. Sold Merchandise for Cash, $135.25. Paid clerk hire, $30.

" 14. Received of Edward Wright Cash in full of his note due this day, $1000. Paid my note to Edward Strong of the 4th, due this day, $1200.

" 16. Sold to A. C. Harvey on %, 60 bu. Barley @ $1; 200 bu. Oats @ 45c.; 10 bbls. Flour @ $7; 20 bu. Rye @ $1.00.

" 17. Sold to Chas. Browning on %, 300 bu. Wheat @ 95c.; 200 bbls. Flour @ $7.50. Sold Merchandise for Cash, $110.

" 18. Received Cash of Gardner & Co. in full of %, $427.50.

" 19. A. C. Harvey has paid his note of the 9th, due this day, $250.

" 20. Sold Merchandise for Cash, $155.25.

" 21. Bought of Philip Harrington on %, Merchandise per invoice, $1275.

Dec. 23. Paid Geo. Reynolds & Co. Cash on %, $100. Sold Merchandise for Cash, $112.50.
" 24. Received of Chas. Browning Cash on %, $500.
" 25. Sold Merchandise for Cash, $130.45.
" 26. Sold to James Reed, on his note @ 10 days, 200 bu. Corn @ 55c.; 150 bu. Oats @ 45c.; 100 bu. Barley @ 95c.
" 27. Paid Philip Harrington on %, $600.
" 28. Drew a draft on A. C. Harvey for the balance of his %, and sent same to Philip Harrington to apply on his %, $240. Sold Merchandise for Cash, $107.05.
" 30. Sold to A. C. Harvey on %, 30 bbls. Flour @ $7; 80 bu. Barley @ 90c.; 132 bu. Wheat @ $1.00; 60 bu. Rye @ 85c. Received of Chas. Browning Cash on %, $275.

Inventory of Merchandise, $1250.
Net Loss, $70.80.

Business Forms. On the 4th, a note. On the 7th, a note. On the 9th, a note. On the 26th, a note. On the 28th, a draft.

BUSINESS FORMS

Receipts

A **Receipt** is a written acknowledgment that money or something of value has been received. The words, "in full of account," or "in full of all demands," imply that a settlement has been made and the entire debt paid; but "on account" implies only part payment.

RECEIPT ON ACCOUNT

$57.25. New York, Jan. 2, 189-.

Received of George C. Davis Fifty-seven and $\frac{25}{100}$ Dollars, on account.

James Marshall.

RECEIPT IN FULL OF ACCOUNT

$429.00. *Chicago, ..*

Received of Hill & White Four Hundred and Twenty-nine Dollars, in full of all demands to date.

F. C. Walter.

RECEIPT FOR SERVICES

$16 75/100. *Buffalo, March 24, 189-.*

Received of Walter Clark Sixteen and 75/100 Dollars, in full for repairs on store.

James Allen.

Exercises

1

Samuel Willets owes you $ 260. He pays $ 150 on account. Write the receipt, dating it to-day.

2

Arthur Cambell owes you $ 85. He pays you the entire debt. Write the proper receipt.

3

Joseph Spencer has requested you to examine his accounts, and make the monthly statement for July. Having done so, he pays you $ 10 in full for your services. Write the receipt.

A **Due Bill** is a written acknowledgment of a debt. It may be made payable in either money or goods.

FORM

$20.00. *Rochester, N.Y.*

Due William Murray, for value received, Twenty Dollars, payable in goods from my store, on demand.

Geo. R. Lockwood.

Exercises

1

You owe Frank Fisher $ 68.50. Give him an order for that amount, payable in goods.

2

Henry Walters owes you $ 30 and has given you a due bill, payable in money, and so worded that it is negotiable. Write the due bill.

Accounts Current

An **Account Current** is a detailed statement of the debits and credits of a person's account, showing the amount due.

Mr. Howard Stanton,

In Account with Robert Taylor.

1898.						
		Dr.				
Sept.	4	*To 1 Bookcase,*	75	00		
"	4	" 1 Library Table,	42	00		
"	4	" 2 Revolving Chairs @ $10,	20	00		
"	26	" 1 Center Table,	22	50		
"	26	" 1 Secretary,	35	00		
"	29	" 1 Wardrobe,	36	00		
"	29	" 1 Couch,	23	00		
"	29	" 1 Bracket,	4	50	258	00
		Cr.				
Sept.	23	*By Cash,*			60	00
		Balance due,			198	00
		New York, Oct. 1, 1898.				

Exercises in Accounts Current

1

On Nov. 30, R. G. Kennedy, a merchant tailor, sent to Edward Stafford a statement of his account showing the following items: Sept. 24, Sold Edward Stafford, 1 Fall Overcoat, $ 27; 1 pair Trousers, $ 6.50. Oct. 12, Coat and Vest, $ 24. Oct. 15, Edward Stafford has paid on his account $ 30. Nov. 16, Made to order for Edward Stafford, 1 Corduroy Vest, $ 7.50. Write the above facts in the form of a Statement of Account.

2

Geo. W. Broadstreet, who is in the Wholesale Grocery business, sends an account current to Alford White, one of his customers, showing the following facts: Feb. 4, Sold to Alford White on %, 15 bbls. Champion Flour @ $ 4.20, $ 63; 6 boxes Raisins, 330 lbs. @ 8c., $ 26.40; 1 bbl. Confectioner's Sugar, $ 14.87; 3 cases Condensed Milk @ 7.25, $ 21.75. Feb. 15, Received from him, Cash to apply to his account, $ 75. Feb. 20, Sold to him, 2 bbls. Graham Crackers, 160 lbs. @ 11c., $ 17.60; 4 boxes English Dairy Cheese, 240 lbs. @ 23c., $ 55.20; 5 tubs Creamery Butter, 250 lbs. @ 19c., $ 47.50. Feb. 25, Received Cash from him on %, $ 95.50. Render account current, dating it March 1, 1897.

Bills of Lading

A **Bill of Lading** is an acknowledgment of the receipt of goods, and an agreement by the transportation company to deliver the same at a certain place. As these receipts are negotiable, the title of the goods specified therein may be transferred by indorsement and delivery.

Invoices

An **Invoice** is a description of goods shipped or sold, with prices and charges annexed. In form it is similar to a bill.

FORM OF INVOICE

NEW YORK, March 5, 189–.

Messrs. Forbes & Wallace.

Bought of Gilbert Manufacturing Co.

Terms, 30 days. 1% discount 10 days.

Case No.					
987	19 Pieces Scotch Ginghams, 33^{1},* 34^{3}, 37^{1}, 40, 47^{3}, 49^{1}, 44, 30^{2}, 39^{3}, 31^{2}, 50^{1}, 59, 56^{1}, 53^{2}, 30^{1}, 39^{1}, 36^{2}, 38^{3}, 33^{2} = 785^{1} yds. @ 17^{2}c.,	137	42		
699	21 Pieces Fancy Prints, 45^{3}, 49^{1}, 47^{2}, 41^{3}, 40, 31, 39^{3}, 32^{1}, 36^{1}, 35, 39^{1}, 51^{2}, 53^{1}, 55, 59^{3}, 54^{2}, 40^{2}, 47^{1}, 45, 44^{3}, 47^{3}=937 yds. @ 4^{1}c.,	39	82		
765	28 Pieces Pearl River Ticking, 29^{1}, 27^{3}, 24^{3}, 21^{3}, 22^{1}, 28^{2}, 49^{1}, 48^{1}, 45, 44^{1}, 46^{2}, 35, 39^{2}, 36^{1}, 31^{2}, 33^{1}, 45, 49^{3}, 50^{1}, 57^{2}, 55^{1}, 33^{1}, 40, 44^{3}, 47^{3}, 43^{1}, 40^{3}, 46^{1} = 1116^{3} yds. @ 16c.,	178	68		
872	26 Pieces English Batiste, 47^{1}, 46^{1}, 49^{3}, 41, 59^{1}, 55, 54^{3}, 44^{1}, 41^{3}, 40^{1}, 49^{2}, 47^{2}, 43^{2}, 39^{1}, 36^{2}, 35^{1}, 45^{1}, 46^{1}, 49^{3}, 43^{1}, 39^{3}, 30, 57^{1}, 56^{3}, 57^{3}, 59^{1} = 1216^{1} yds. @ 12^{2}c.,	152	03	507	95
	Cases and Cartage,			3	75
				511	70

* The small figures indicate $\frac{1}{4}$, $\frac{2}{4}$, $\frac{3}{4}$.

Letters

APPLICATION FOR A POSITION

(Advertisement)

Wanted. A boy, quick and accurate in figures, to assist in office. Address, G. W. B., Herald Office.

(Reply)

450 Lexington Ave.
NEW YORK, Jan. 8, 1897.

G. W. B.,
Herald Office,
DEAR SIR:

Having seen in this morning's *Herald* your advertisement for a boy, quick and accurate in figures, to assist in the office, I wish to apply for the position.

I am fifteen years old, and at present attend Grammar School, No. 78. In my reports I always stand near the head of my class in Arithmetic, and feel confident that as to quickness and accuracy in figures, I am qualified to fill the place.

If you will kindly allow me to call at your place of business I will furnish you with testimonials of my character and ability.

Hoping this application will receive your favorable consideration,

I remain,
Yours respectfully,
HENRY FOSTER.

Wanted. A bright boy who knows something about accounts; must write a good hand. Address, P. O. Box 1425.

Directions. In answering the above advertisement, state 1st, where you saw the advertisement; 2d, that you desire to offer your services; 3d, that you have a knowledge of Double and Single Entry Book-keeping; 4th, that if your writing is satisfactory you will be glad to call at his place of business and give him references and such other information concerning yourself as he may desire.

Write a letter to Messrs. Warren & Manning, 43 Park Place, New York City, stating that you are informed that when they open their new department they will probably

need another boy. State that you wish to be considered an applicant for the position; where you are now attending school; how far advanced in studies, or when your class will graduate. Refer to your principal for information concerning character, etc. Close by hoping this application will receive their favorable consideration.

Requesting the Payment of a Debt

CHICAGO, April 20, 1897.

MESSRS. BROWN & HARDING,
Cleveland, Ohio.

GENTLEMEN:

On the 30th ult. we mailed you a statement of your account showing a balance due us of $328.50. Owing to the urgency of claims made upon us, we are obliged to call your attention again to your unsettled account.

Hoping you will find it convenient to send us a check without further delay, we remain,

Yours respectfully,

R. C. JORDAN & Co.

Copy the above letter.

Write to Samuel Baker, calling his attention to the bill of $137.50 you sent him on the 6th inst. State that you have heavy obligations to meet on the 24th inst., and that it would spare you much inconvenience if he would remit on or before that date.

Letter of Introduction

NEW YORK, Aug. 4, 1897.

MR. DAVID H. CLIFFORD,
405 Broadway.

DEAR SIR:

This letter will introduce to you my young friend, Albert Green, who wishes to find employment in your line of business.

I have suggested to Mr. Green the possibility of your immediate

need of some one, and take pleasure in recommending him as an honest, intelligent, and persevering young man.

Any favor you may show him in obtaining a position will be duly appreciated by

Yours very respectfully,

JOSEPH MCDONALD.

Remark. On the envelope, below the address, and to the left, should be written the words, "Introducing Mr. Green."

Letters of introduction should not be sealed.

Write to your friend, Wm. H. Sprague, Washington, D.C., introducing Ralph Draper, of Philadelphia, who is also your friend. State that Mr. Draper now visits Washington for the first time, and is on a pleasure trip, and whatever attention may be given him to make his stay in the capital pleasant will be regarded as a favor to you.

Review

1. What is a receipt? 2. What do the words "in full of account" imply? 3. What is a due bill? 4. What is an account current? 5. What is an invoice? 6. What is a bill of lading?

PART II

DOUBLE ENTRY

DOUBLE ENTRY

In single entry you learned the meaning of debit and credit, as applied to personal accounts, and the forms and purposes of various books, such as the cash-book, day-book, sales-book, and ledger.

It will be presumed, in beginning double entry, that you remember not only the forms used in single entry, but also the meaning of such technical expressions as have been clearly defined on pages 20, 26, 35.

You may now ask, What is double entry book-keeping, and wherein does it differ from single entry?

Double entry, briefly defined, is that system of book keeping which requires equal debits and credits in the ledger.

To explain more fully wherein the two systems differ the following comparisons have been made:

1st. In a double entry ledger the sum of the debits must be equal to the sum of the credits, while in the single entry ledger the debits and credits are never expected to be equal.

2d. The double entry ledger contains personal accounts, impersonal or property accounts, and special loss and gain accounts, while the single entry ledger contains personal accounts only.

3d. Double entry shows in the ledger not only the total results, but also the various sources of the gains and losses. Single entry by various books shows the net results, but not the particular items of gain or loss.

4th. Double entry, through its trial balance and detailed statement, affords a test of its correctness, while single entry has no such means by which its results can be verified.

To some, double entry may imply double work, but such is not the case. On the contrary, by the use of special columns and labor-saving devices peculiar to this system, double entry will, with less labor, show more of the details of the business than single entry, besides affording the means of detecting errors and omissions.

Illustration

Three simple transactions have been used in the following illustration, and for the sake of clearness have been recorded in the ledger only.

To understand these illustrations, the pupil should remember that double entry requires equal debits and credits in the ledger, which means that if some account is debited for $100, then some other, or different, account must be credited for the same amount. He should also bear in mind what he learned in single entry, — that Cash is debited for money received, and credited for money paid out, and that a person's account is debited when he receives value from us, but credited when we receive value from him.

First Transaction

Jan. 7. Borrowed Cash from Stephen Smith, on %, $ 500.

Explanation. Turning to the opposite page, you will see that the Cash account has been debited for $ 500, because Cash was received, and Stephen Smith's account has been credited for the same amount, as we have received $ 500 from him. Thus far we have equal debits and credits. Check or mark these two entries, thus — √.

Second Transaction

Jan. 8. Bought Merchandise for Cash, $ 400.

Explanation. It is evident that the Cash account should be credited, as Cash was paid out.

But some account must be debited for this amount. What shall it be? Merchants have adopted the rule of debiting the Merchandise

account when goods are bought, and crediting it when goods are sold. Following this rule we debit the Merchandise account for $400, and again we have equal debits and credits. Check these two entries also.

Third Transaction

Jan. 9. Sold our entire stock of Merchandise for Cash, $600.

Explanation. As the money has been received, the Cash account must of course be debited. The Merchandise account is credited for the same amount, as the rule requires us to credit that account for all sales of goods. Once more the debits and credits are equal. Check these two entries.

Ledger

Dr. ***Cash*** ***Cr.***

Jan.	*7*		*500 00*	*Jan.*	*8*	*400*	*00*
"	*9*		*600 00*				

Dr. ***Stephen Smith*** ***Cr.***

				Jan.	*7*	*500*	*00*

Dr. ***Merchandise*** ***Cr.***

Jan.	*8*		*400 00*	*Jan.*	*9*	*600*	*00*

The total debits of the ledger must now be equal to the total credits as shown below in a condensed form in what is called a Trial Balance.

Trial Balance	***Debits***		***Credits***	
Cash,	1100	00	400	00
Stephen Smith,			500	00
Merchandise,	400	00	600	00
	1500	00	1500	00

What may be learned from the above ledger, or trial balance, is clearly set forth in the following statement:

Statement

	RESOURCES —					
	Cash on hand,				700	00
	LIABILITIES —					
	Stephen Smith's account,				500	00
	NET CAPITAL,				200	00
	GAINS —					
	Merchandise,				200	00

Explanation. The debit side of Cash being the larger, by $700, shows that we must have that amount on hand; hence it is a resource.

The credit side of Stephen Smith's account being the larger, by $500, shows that we owe him that amount, and it is therefore a liability.

But the Merchandise is neither a resource nor a liability. It is in this case a gain, as we shall now demonstrate. When we bought the goods, the Merchandise account was debited, so the debit side shows just what the Merchandise cost. When the goods were sold, the Merchandise account was credited, so the credit side shows how much we sold them for. The credit being $600, and the debit or cost being $400, we must have gained the difference, or $200.

Definitions

Double entry Book-keeping is that system of keeping accounts which requires equal debits and credits in the ledger.

A Double entry Ledger is a book in which all the transactions are finally recorded under appropriate headings, or titles. It is sometimes called the Book of Accounts.

For definitions of accounts and explanations of debits and credits see page 20.

Headings or Titles frequently used in double entry are:

Cash, the proper title or account for money received or paid out.

Merchandise, the proper title or account for goods bought and sold for profit.

Real Estate, the proper title or account for houses or lands.

Bills Receivable, the proper title or account for other persons' written obligations to pay us.

Bills Payable, the proper title or account for our written obligations to pay others.

Loss and Gain, the proper title or account for direct losses or gains.

Personal accounts and the **Proprietor's** account are found in the double entry ledger in the same form and serving the same purpose as in the single entry ledger.

Rules for Debiting and Crediting Accounts

1. *Cash, Merchandise, and Property of every kind is debited under an appropriate title, when it comes into the business, but credited when it goes out.*

Real estate, notes (bills receivable and bills payable), stocks, bonds, and property of every description are included under this rule.

2. *Persons are debited when they owe us, or receive value from us on account, but credited when we owe them, or receive value from them on account.*

Companies, banks, railroads, and corporations of every kind are included in the term "Persons."

3. *The Loss and Gain account is debited for losses or outlays, but credited for gains or returns.*

Expense, interest and discount, commission, etc., are branches or subdivisions of the general loss and gain account to which this rule also applies.

4. *The Proprietor's account is credited for his investment, but debited for the amount he draws out.*

This rule applies to "Stock," "Capital," or any other title under which the proprietor may keep his own account.

Review

1. What is double entry book-keeping? 2. Define a double entry ledger. 3. What is an account? 4. What are debits? 5. What are credits? 6. What is the proper title for money

received or paid out? 7. What is the proper title for goods bought or sold for profit? 8. Name the proper title for houses and lands. 9. Under what title are kept other persons' written obligations to pay us? 10. Our written obligations to pay are properly kept under what title? 11. What is the proper title under which direct losses or gains are kept? 12. Do the personal accounts and the proprietor's account appear in the same form in single as in double entry? 13. When is property debited and when credited? 14. Mention some property accounts besides Cash and Merchandise. 15. When are persons debited and when credited? 16. What does the term "Persons" include? 17. Repeat the rule for the loss and gain account. 18. Mention some accounts that are branches or subdivisions of the loss and gain account. 19. When is the proprietor's account debited and when credited? 20. Under what different titles may the proprietor's account be kept?

Transactions

To be entered directly in ledger.

Directions. Write in the ledger, in a large plain hand, the following titles for accounts: Proprietor, Cash, Merchandise, B. F. Baker, and E. G. Armstrong, allowing four lines for each.

First, decide which two accounts are affected by the transaction, and then determine which is to be debited, and which credited. When in doubt as to the debit and credit, consult Rules on page 115.

Exercises

1

Feb. 1. The proprietor invests Cash, $ 9000.
" 2. Bought Merchandise for Cash, $ 7500.
" 3. Sold Merchandise to B. F. Baker on %, $ 3000.
" 4. Sold Merchandise for Cash, $ 1500.
" 5. Bought Merchandise of E. G. Armstrong on %, $ 2500.
" 6. Sold Merchandise for Cash, $ 2000.

When correctly entered in the ledger, the total debits and credits of each account will agree with this trial balance.

Trial Balance	*Dr.*		*Cr.*	
Proprietor,			9000	00
Cash,	12500	00	7500	00
Merchandise,	10000	00	6500	00
B. F. Baker,	3000	00		
E. G. Armstrong,			2500	00
	25500	00	25500	00

2

March 1. The proprietor invests Merchandise valued at $ 6500.
" 2. Sold Merchandise for Cash, $ 4200.
" 3. Sold Merchandise to Howard Beach on %, $ 1800.
" 5. Bought Merchandise of Chas. T. Allen on %, $ 1300.
" 6. Sold Merchandise for Cash, $ 1250.
" 7. Howard Beach paid us Cash on his account, $ 600.
" 8. Paid Chas. T. Allen Cash on %, $ 1000.

Trial Balance	*Dr.*		*Cr.*	
Proprietor,			6500	00
Cash,	6050	00	1000	00
Merchandise,	7800	00	7250	00
Howard Beach,	1800	00	600	00
Chas. T. Allen,	1000	00	1300	00
	16650	00	16650	00

3

April 1. Bought Merchandise of Nelson Brice on %, $ 1800.
" 2. Sold Merchandise for Cash, $ 950.
" 4. Bought Merchandise for Cash, $ 700.
" 6. Sold Merchandise to Paul Anderson on %, $ 550.
" 7. Paid Nelson Brice Cash on %, $ 100.
" 8. Paul Anderson paid us Cash on %, $ 400.
" 9. Sold Merchandise for Cash, $ 800.

Trial Balance	*Dr.*		*Cr.*	
Merchandise,	2500	00	2300	00
Nelson Brice,	100	00	1800	00
Cash,	2150	00	800	00
Paul Anderson,	550	00	400	00
	5300	00	5300	00

Direction. After entering in ledger, make trial balances for the following exercises.

4

May 1. Thomas Long, the proprietor, began business with Merchandise on hand valued at $ 5650.
" 2. Sold Merchandise to C. H. Lockhart on %, $ 2500.
" 3. Sold Merchandise for Cash, $ 1750.
" 4. Bought Merchandise of B. F. Morton on %, $ 980.
" 5. C. H. Lockhart has paid us Cash on %, $ 2200.
" 6. Bought a vacant lot for Cash, $ 3000.
" 8. Sold Merchandise for Cash, $ 1200.
" 9. Paid B. F. Morton Cash on %, $ 500.
" 10. Sold, for Cash, my vacant lot, $ 3300.
" 12. Sold, for Cash, my entire stock of Merchandise, $ 1000.

5

Sept. 1. Bought of H. C. Lobeck on %, Merchandise valued at $ 1850.
" 2. Sold Merchandise for Cash, $ 732.50.
" 3. Sold Merchandise to Geo. Davis on %, $ 522.75.
" 4. Paid H. C. Lobeck Cash on %, $ 500.
" 5. Sold Merchandise for Cash, $ 627.40.
" 6. Received of Geo. Davis Cash on %, $ 350.
" 8. Bought Merchandise for Cash, $ 420.80.
" 10. Sold to A. C. Gilbert on his note @ 5 days (Bills receivable, %, Dr.) Merchandise valued at $ 225.
" 12. Paid H. C. Lobeck Cash on %, $ 400.
" 15. Received of A. C. Gilbert Cash in payment of his note due this day, $ 225 (Bills receivable, %, Cr.).

6

Oct. 1. B. H. Denham, the proprietor, began business with Real Estate valued at $8550.
" 2. Bought Merchandise of Briggs & Crawford on %, $2500.
" 3. Sold Merchandise for Cash, $750.
" 4. Sold Merchandise to G. C. Young on %, $475.
" 5. Bought Merchandise for Cash, $250.
" 6. Paid Briggs & Crawford Cash on %, $200.
" 8. Received Cash of G. C. Young on %, $100.
" 9. Sold for Cash Real Estate valued at $5000.
" 10. Paid Briggs & Crawford Cash in full of %, $2300.
" 12. Sold Merchandise for Cash, $680.

THE JOURNAL

The **Journal** is a book designed to show which of the ledger accounts should be debited and which credited.

Journalizing is deciding the proper debits and credits and arranging them in the journal.

The purpose of the journal originally was to aid the book-keeper in deciding and simplifying the debits and credits of transactions and thus facilitate the labor of posting or carrying them to their proper places in the ledger. This is all that the simple form of a journal such as is found on page 121 is designed to accomplish.

A practical form of a journal will be given later.

Note. This journal differs slightly from the old theoretical journal in that the debit column is placed at the extreme left. It has been so arranged for two reasons. First, because in this form it bears a closer resemblance to the ledger accounts. Second, because the special column or practical journal follows this plan. Either form, however, may be used in the exercises following.

Transactions Journalized in Example A

Directions. Review Rules 1 and 2, on page 115, as they will aid you in determining every debit and credit on this page.

Read the transactions and then endeavor to decide the proper debit and credit before looking at the opposite page.

June 1. Bought Real Estate for Cash, $3500.

Explanation. Real estate is debited because it comes in. Cash is credited because it goes out (Rule 1).

June 2. Bought Merchandise for Cash, $1850.75.

Explanation. Merchandise is debited, as it comes in. Cash is credited because it goes out (Rule 1).

June 3. Sold Merchandise for Cash, $1024.35.

Explanation. Cash is debited and Merchandise is credited (Rule 1).

June 4. Sold Merchandise to Robert Smith on %, $750.

Explanation. Robert Smith is debited, as he received value from us on account (Rule 2). Merchandise is credited (Rule 1).

June 5. Sold Merchandise to William Brown on his note @ 3 days, $1252.50.

Explanation. Bills receivable is debited, as the note comes in (Rule 1). Merchandise is credited (Rule 1).

June 6. Bought Merchandise of James Hill on our note, payable on demand, $1400.

Explanation. Merchandise is debited (Rule 1). Bills payable is credited, because the note was issued, or went out (Rule 1).

June 8. William Brown has paid his note of the 5th, $1252.50.

Explanation. Cash is debited (Rule 1). Bills receivable is credited (Rule 1). When Brown pays the amount due on his note, we should give the note back to him.

June 9. Paid our note of the 6th to James Hill, $1400.

Explanation. Bills payable is debited, as the note is now returned to us (Rule 1). Cash is credited (Rule 1).

June 10. Robert Smith has paid us Cash on %, $520.60.

Explanation. Cash is debited (Rule 1). Robert Smith is credited (Rule 2).

Journal

Example A

Dr. New York, June 1, 189– Cr.

		Accounts Debited		Accounts Credited		
3500	00	Real Estate				
				Cash	3500	00
			2			
1850	75	Merchandise				
				Cash	1850	75
			3			
1024	35	Cash				
				Merchandise	1024	35
			4			
750	00	Robert Smith				
				Merchandise	750	00
			5			
1252	50	Bills Receivable				
				Merchandise	1252	50
			6			
1400	00	Merchandise				
				Bills Payable	1400	00
			8			
1252	50	Cash				
				Bills Receivable	1252	50
			9			
1400	00	Bills Payable				
				Cash	1400	00
			10			
520	60	Cash				
				Robert Smith	520	60

Exercises to be Journalized

1

March 2. Bought Merchandise for Cash, $1200.
" 3. Sold Merchandise for Cash, $500.
" 4. Sold Merchandise to S. C. Wells on %, $680.
" 6. Bought Real Estate for Cash, $2000.
" 7. S. C. Wells has paid us Cash on %, $350.
" 8. Bought Merchandise of Craig & Co. on our note @ 5 days, $800.
" 9. Sold Merchandise to Andrews & Son on their note for $750.
" 10. Sold Merchandise for Cash, $870.
" 11. Sold Merchandise to H. Scott on %, $600.
" 13. Paid our note of the 8th to Craig & Co., $800.

2

April 1. Bought Merchandise of John S. Hart on %, $1480.
" 2. Sold Merchandise for Cash, $420.
" 3. Bought Merchandise of L. C. Cooke on our note @ 10 days, $775.
" 4. Sold Merchandise to John Monroe on his note @ 6 days, $500.
" 5. Bought for Cash a vacant lot, $1575.
" 8. Paid John S. Hart Cash on %, $700.
" 9. Sold Merchandise to Geo. Peck on %, $185.
" 10. Received of John Monroe Cash in payment of his note of the 4th, $500.
" 11. Paid John S. Hart Cash on %, $450.
" 13. Paid our note of the 3d to L. C. Cooke, $775.

3

May 1. Bought Merchandise of A. H. Phelps on our note @ 10 days, $1200.
" 2. Sold Merchandise to B. C. Cutler for Cash, $390.
" 3. Bought for Cash a house and lot valued at $8500.
" 4. Sold to Robert G. Murray on %, Merchandise, $287.
" 5. Bought Merchandise of James Mitchell on %, $930.

May 7. Received of Robert G. Murray Cash on %, $150.
" 8. Sold to Daniel Foster on his note @ 30 days Merchandise, $640.
" 10. Sold house and lot for Cash, $9200.
" 11. Paid in Cash our note of the 1st to A. H. Phelps, $1200.
" 12. Paid James Mitchell in full of account, $930.

4

June 1. Bought for Cash Real Estate valued @ $5500.
" 2. Bought Merchandise of W. H. Butler for Cash, $3200.
" 3. Sold Merchandise to Alexander Palmer, and received in payment his note @ 10 days for $1500.
" 4. Sold Merchandise to Richard Boyd on %, $872.50.
" 5. Paid Cash for Merchandise, $270.
" 6. Bought Merchandise of Anderson & Wells, and gave in payment our note @ 12 days for $654.
" 8. Received Cash of Richard Boyd on %, $200.
" 9. Sold for Cash a Vacant Lot, $3000.
" 12. Bought Merchandise of C. H. Harvey on %, $1200.
" 13. Received of Alexander Palmer Cash in payment of his note of the 3d, $1500.
" 15. Paid C. H. Harvey Cash on %, $500.
" 16. Sold Merchandise to Albert Moeller for Cash, $425.
" 18. Paid in Cash our note of the 6th to Anderson & Wells for $654.

5

July 1. Bought Real Estate for Cash, $6800.
" 2. Bought Merchandise on my note @ 10 days, $1030.50.
" 3. Sold Merchandise to M. G. Austin on %, $525.50.
" 5. Sold Merchandise to Chas. Walters for Cash, $187.50.
" 6. Bought Merchandise for Cash, $624.60.
" 8. Received Cash of M. G. Austin on %, $200.
" 9. Bought Merchandise of James Gordon on %, $775.50.
" 10. Loaned to S. C. Allison $420 on his note @ 30 days endorsed by J. C. Gulick.
" 12. Paid in Cash my note of the 2d, $1030.50.
" 14. Paid James Gordon Cash on %, $275.50.

Transactions for Example B

In which Rules 3 and 4 are applied

Aug. 1. The proprietor began business with Cash on hand, $7850.45.

Explanation. Cash is debited (Rule 1). The proprietor is credited for his investment (Rule 4).

Aug. 2. Paid Store rent, $250.

Explanation. Expense, which is a branch of the Loss and Gain account, is debited for this outlay (Rule 3). Cash is credited (Rule 1).

Aug. 3. The proprietor draws Cash from the business for private use, $100.

Explanation. As the proprietor was credited when he invested, he should now be debited when he draws the money out (Rule 4).

Aug. 4. By counting the Cash it is discovered that $47.50 has been lost.

Explanation. The Loss and Gain account is debited, as this is a direct loss (Rule 3). Cash is credited (Rule 1).

Aug. 5. The proprietor has made an additional investment of Cash, $800.

Explanation. Cash is debited (Rule 1). Proprietor is credited (Rule 4).

Aug. 6. The Cash, $47.50, supposed to have been lost on the 4th, has been found.

Explanation. Cash is debited (Rule 1). Loss and Gain account is credited (Rule 3).

Aug. 8. Paid for insurance on goods, $37.65.

Explanation. Expense is debited (Rule 3). Cash is credited.

Aug. 9. J. B. Reynolds owes us on a note $500. He pays the same less the Discount, $4.00. Net amount, $496.

Explanation. Cash is debited $496 (Rule 1). As we have lost the $4, Discount is also debited. Bills Receivable is credited for the face of the note, $500 (Rule 1). Thus the two debits added make a sum equal to the credit. Frequently in the journal there are two or more debits and only one credit, or two or more credits and only one debit, but the total debits must be equal to the total credits.

Journal

Example B

Dr. *New York, Aug. 1, 189–* Cr.

		Accounts Debited	Accounts Credited		
7850	45	Cash			
			Proprietor	7850	45
		2			
250	00	Expense			
			Cash	250	00
		3			
100	00	Proprietor			
			Cash	100	00
		4			
47	50	Loss and Gain			
			Cash	47	50
		5			
800	00	Cash			
			Proprietor	800	00
		6			
47	50	Cash			
			Loss and Gain	47	50
		8			
37	65	Expense			
			Cash	37	65
		9			
496	00	Cash			
4	00	Discount			
			Bills Receivable	500	00

Exercises to be Journalized

1

Sept. 1. The proprietor began business with Merchandise on hand valued at $ 6000.
" 2. Paid store rent for September, $ 175.
" 3. Paid for insurance on goods, $ 42.
" 4. The proprietor has made an additional investment in the form of Cash, $ 1000.
" 5. In counting the Cash it is discovered that $ 10 has been lost.
" 6. The proprietor has drawn Cash for private use, $ 80.
" 8. Paid for repairs on store, $ 24.
" 9. J. W. Bard, who owes us $ 125 on a note, has failed and the amount of the note is a total loss. (Debit, loss and gain. Credit bills receivable.)

2

Oct. 1. The proprietor began business with Real Estate on hand valued at $ 9000.
" 2. Received Cash, $ 78, as Commission for selling goods. (Credit the account commission.)
" 3. Paid for cleaning Store, $ 6.
" 4. Paid rent for three months by giving our note @ 60 days, $ 460.
" 5. Henry Allen, who owes us on a note, has paid interest on same for 6 mos., $ 30. (Credit interest account.)
" 6. Paid for Coal used in heating Store, $ 27.
" 10. Paid clerk hire, $ 15.
" 12. Our note to H. W. Wood for $ 100 has been paid before it was due. The discount allowed us was $ 5. Net amount paid, $ 95.

Example C

Opening Journal Entries

In opening a set of books, the opening journal entries are sometimes a little puzzling, especially when a large variety of resources and liabilities are brought into the business.

While the general rules for journalizing are applicable to all opening entries, it is believed that a special rule like the one following will simplify the subject for the beginner.

Rule

Debit each resource, credit each liability; credit also the proprietor for his net investment.

For definitions of Resources and Liabilities see page 35.

The Proprietor's account, it should be remembered, is sometimes kept under the title of "Stock," "Capital," or the name of the firm. When there are partners, each partner's name may be used instead of the firm name.

Example

Began business with resources and liabilities as follows: Cash on hand, $580; Merchandise valued at $600. I owe John Harper on %, $200.

Dr. ***Opening Journal Entry for above*** ***Cr.***

580	00	Cash			
600	00	Merchandise			
			John Harper	200	00
			Proprietor	980	00

Exercises to be Journalized

1

Began business with Cash on hand, $500.

2

Began business with Cash on hand, $650; and Merchandise valued at $850.

3

My resources and liabilities at beginning are as follows: Cash on hand, $700; Merchandise unsold valued at $840. I owe Wm. Smith on %, $600.

4

My resources at beginning are as follows: James Howard owes me on %, $1200; Geo. Lewis owes me on a note, $550; Cash on hand, $1500. My liabilities are as follows: I owe Henry Worth on a note, $1000, and Frank Wilson on %, $475.

5

My resources at beginning are as follows: Cash on hand, $2264.70; Merchandise unsold valued at $4505.20; Notes due me amounting to $1075; R. G. Litchfield owes me on %, $872.50; D. H. Warner owes me on %, $378.25. My liabilities are as follows: Outstanding notes amounting to $3760.45; I owe on % as follows: S. S. Holland, $114.50, J. J. Hall, $294.25, and Frank Day, $38.60.

Opening Entries in Partnership

June 4. James Arnold and Frank Wheeler have entered into partnership.

Arnold invests Cash, $575; Merchandise, $1620; and a note signed by Wm. Hamilton for $350, due June 5.

Wheeler invests Cash, $2800. He owes D. L. Campbell on %, $255, a debt which the firm or partnership assumes to pay.

Journal Entry for above

Dr.			*Cr.*	
575	00	Cash		
1620	00	Merchandise		
350	00	Bills Receivable		
		James Arnold (Partner)	2545	00
2800	00	Cash		
		D. L. Campbell	255	00
		Frank Wheeler (Partner)	2545	00

Exercises to be Journalized

1

W. H. Walker and Edward Strong enter into partnership. Walker invests Cash, $1200; Merchandise valued at $3300. He owes Geo. Sands on %, $725, which the firm assumes to pay.

Strong invests Cash, $1000, and notes due him amounting to $1500. Make the journal entries.

2

Wm. Worth and S. T. Smith are partners. Worth invests Cash, $1500, and Real Estate, $5200. The firm assumes to pay for him his note due H. F. Lock, $700. Smith invests Merchandise, $4150; Cash, $1800. The firm assumes to pay for him an account of $250 due Nelson C. Gates.

3

R. S. Phelps, J. C. Howard, and Charles Wells enter into partnership, the gains or losses to be shared in proportion to their net investment. Phelps invests Cash, $1625; Merchandise, $2470; S. A. Simpson's account for $570, and R. S. Smith's account for $140. He owes on notes $1170.

J. C. Howard invests real estate valued at $5850, and Cash, $1000. He owes B. F. Morris on %, $795.

Charles Wells invests Cash, $800; First National Bank stock, $3200, and two notes, one for $425, signed by H. H. Walworth, and one for $375, signed by L. C. Brown. He owes Hill & Duncan on %, $750; also D. B. Kelly on %, $235. Make the journal entries.

Review

1. What is a journal? 2. What is journalizing? 3. Give an example of journalizing. 4. What is said about the original purpose of the journal? 5. Repeat the rule for journalizing which applies to property; the rule for loss and gain accounts; the rule for the proprietor's account. 6. Give a special rule for making the opening journal entries.

JOURNAL, LEDGER, AND TRIAL BALANCE

The **Journal, Ledger,** and **Trial Balance** are exhibited here to show the relation in which they stand to each other.

Having learned to journalize, you should now learn the method of carrying the accounts from the journal to the ledger, which will be explained under the subject of posting, page 133.

The next step, after posting, is to make a trial balance. How the trial balance is made, and the purpose of making it, will be fully explained on page 134.

Directions. Trace the transaction from this page to the journal on the opposite page; then from the journal to page 132, where the entry will be found in its proper place in the ledger.

Transactions

Oct. 1. The proprietor began business with Cash on hand, $ 5420.
" 2. Bought Merchandise of Hurd & White on %, $ 2750.
" 3. Paid rent for October, $ 200.
" 4. Sold Merchandise to James A. Stewart on %, $ 350.75.
" 5. Sold Merchandise to H. R. Lucus, $ 425; received in payment, Cash, $ 225, and his note @ 60 days for balance.
" 6. Paid Hurd & White Cash on %, $ 1150.
" 8. Paid for advertising, $ 28.50.
" 9. Bought Merchandise of Hurd & White, $ 900; gave in payment, Cash, $ 600; the balance, $ 300, on %.
" 10. Received Cash of James A. Stewart on %, $ 150.75.
" 11. Sold Merchandise for Cash, $ 862.25.

Journal

Dr. New York, Oct. 1, 189– Cr.

		L. P.			
5420	00	132	Cash		
		132	Proprietor	5420	00
			2		
2750	00		Merchandise		
			Hurd & White	2750	00
			3		
200	00		Expense		
			Cash	200	00
			4		
350	75		James A. Stewart		
			Merchandise	350	75
			5		
225	00		Cash		
200	00		Bills Receivable		
			Merchandise	425	00
			6		
1150	00		Hurd & White		
			Cash	1150	00
			8		
28	50		Expense		
			Cash	28	50
			9		
900	00		Merchandise		
			Cash	600	00
			Hurd & White	300	00
			10		
150	75		Cash		
			James A. Stewart	150	75
			11		
862	25		Cash		
			Merchandise	862	25
12237	25			12237	25

Ledger

Dr. **Proprietor** **Cr.**

		J. P.				J. P.	
				Oct. 1		131	5420 00

Dr. **Cash** **Cr.**

Oct. 1		131	5420 00	Oct. 3		131	200 00
" 5			225 00	" 6			1150 00
" 10			150 75	" 8			28 50
" 11			862 25	" 9			600 00

Dr. **Merchandise** **Cr.**

Oct. 2			2750 00	Oct. 4			350 75
" 9			900 00	" 5			425 00
				" 11			862 25

Dr. **Bills Receivable** **Cr.**

Oct. 5			200 00				

Dr. **Hurd & White** **Cr.**

Oct. 6			1150 00	Oct. 2			2750 00
				" 9			300 00

Dr. **James A. Stewart** **Cr.**

Oct. 4			350 75	Oct. 10			150 75

Dr. **Expense** **Cr.**

Oct. 3			200 00				
" 8			28 50				

Posting

Posting is transferring the accounts to the ledger. The method of doing this will now be explained.

Turning to the first journal entry page 131, we see that Cash is debited and proprietor credited. We first post the debit of this journal entry by carrying the amount, $5420, to the debit side of the ledger under the Cash account, at the same time entering the date. Turning again to the journal, we find the proprietor credited for $5420, so we carry this amount to the credit side of the ledger under the proprietor's account, and at the same time enter the date.

In the same way all the accounts that are debited in the journal are carried to the debit side of the ledger, and all that are credited in the journal are carried to the credit side of the ledger.

To avoid mistakes, the journal and ledger pages should be entered at once. Thus, when Cash is entered in the ledger, $5420, the figure 131 should be entered at the same time in the column marked "J. P.," which shows the page of the journal from which the amount has been brought. Turning now to the journal, the figure 132 should be entered in the column marked "L. P." opposite Cash, to show the ledger page to which this account has been transferred.

Trial Balance	*Dr.*		*Cr.*	
Proprietor,			5420	00
Cash,	6658	00	1978	50
Merchandise,	3650	00	1638	00
Bills Receivable,	200	00		
Hurd & White,	1150	00	3050	00
James A. Stewart,	350	75	150	75
Expense,	228	50		
	12237	25	12237	25

The **Trial Balance** is an exhibit of all the ledger accounts showing the total debits and credits of each. It also shows that the ledger is in balance, or that the total debits are equal to the total credits.

Generally the trial balance, when it balances, is accepted as proof that the posting is correct. When by mistake an amount is carried to the wrong side of the ledger, the trial balance will be out of balance by just twice that amount.

To find the error when the trial balance does not balance, it is suggested that the pupil **1st.** Add each side of the trial balance again. **2d.** Add the debit, also the credit, of each ledger account, and see that they are correctly transferred to the trial balance. **3d.** If the preceding steps do not reveal the mistake, then trace each transaction from the journal to the ledger, checking (thus √) in both books the amounts that have been correctly entered.

Review

1. What is a journal? 2. What is a ledger? 3. What is posting? 4. How are the amounts transferred to the ledger? 5. What should be done in posting to avoid mistakes, and when should the journal page (J. P.) and ledger page (L. P.) figures be entered? 6. Should every entry in the ledger show from what page it has been brought? How is this shown? 7. What is a trial balance? 8. Can the ledger be correct when the total debits are not equal to the total credits? 9. When the ledger or trial balance is not in balance, what steps are necessary?

Exercises for the Journal, Ledger, and Trial Balance

Direction. First journalize the transactions, then post, and finally make the trial balance.

To the Teacher. The work in the journal should be examined, and mistakes corrected, before the pupil begins to post.

1

Nov. 1. The proprietor began business with Merchandise on hand valued at $ 3550.

Nov. 2. Bought Merchandise of D. F. Grady & Co. on %, $563.40.
" 3. Sold Merchandise for Cash, $1027.50.
" 4. Paid Rent for November, $150.
" 5. Sold Merchandise to Edward Curry on %, $632.80.
" 6. Paid for repairs on Store, $92.50.
" 8. Paid D. F. Grady & Co. Cash on %, $300.
" 9. Bought Merchandise of Henry Little for Cash, $475.
" 10. Received Cash of Edward Curry on %, $450.
" 11. Sold Merchandise to B. F. Whittaker on his note @ 10 days, $265.
" 12. Sold Merchandise to L. C. Gardner for Cash, $142.75.

2

Dec. 2. The proprietor began business with Cash on hand $5000.
" 3. Bought Merchandise of James Watson & Co. on %, $2837.50.
" 4. Paid for insurance on goods, $34.
" 5. Sold Merchandise for Cash, $127.35.
" 6. Bought Real Estate for Cash, $3000.
" 7. Sold Merchandise to L. D. McKay on %, $600.
" 9. Bought Merchandise of Robert Frazer on my note @ 5 days, $800.
" 10. Paid rent for December, $225.
" 11. Sold Real Estate for Cash, $3300.
" 12. Received Cash of L. D. McKay on %, $500.
" 13. Paid James Watson & Co. Cash on %, $1500.
" 14. Paid our note of the 9th to Robert Frazer for $800, being allowed for Discount $7.33; Net amount paid, $792.67.

3

Jan. 4. Began business with Merchandise on hand valued at $1892.60.
" 5. Borrowed Cash on my note @ 30 days, $2700.
" 6. Bought Merchandise of Andrews & Palmer, $1200; paid Cash, $400; balance on %, $800.

Jan. 7. Sold Merchandise to J. B. Cameron on %, $ 835.70.
" 8. Paid for advertising in *Herald*, $ 65.40.
" 9. Sold Merchandise for Cash, $ 1120.85.
" 11. Received of J. B. Cameron his note @ 3 days for $ 500 to apply on his account.
" 12. Paid Andrews & Palmer Cash on %, $ 350.
" 13. Paid for new Counters, $ 75.
" 14. J. B. Cameron has paid his note of the 11th, $ 500.
" 15. Sold Merchandise to W. C. Gordon for Cash, $ 721.35.

4

Feb. 2. Began business with Cash on hand, $ 850, and Merchandise valued at $ 2950.
" 3. Paid Rent for February and March, $ 425.
" 4. Bought Merchandise of Wm. Hendricks, $ 1325; gave in payment Cash, $ 325; balance on %.
" 5. Paid for Cartage, $ 7.50.
" 6. Sold Merchandise to J. D. Husted, $ 850; he has paid us one-half Cash; balance on %.
" 7. Sold Merchandise for Cash, $ 710.45.
" 9. Paid Wm. Hendricks, $ 400 on %.
" 10. Paid Clerk hire, $ 25.
" 11. Sold to James Emery on % Merchandise, $ 235.60.
" 12. Sold Merchandise to Geo. Clayton for Cash, $ 280.
" 13. Paid Wm. Hendricks Cash on %, $ 300.
" 14. Sold Merchandise to A. C. Burns, $ 1240; received in payment Cash, $ 740, and his note @ 10 days for the balance, $ 500.

5

March 3. Began business with Cash on hand, $ 630.20; Merchandise valued at $ 742.60, and Real Estate valued at $ 4650.
" 4. Sold Merchandise to Adam Smith on %, $ 525.50.
" 5. Bought Merchandise of Paul Jones on %, $ 936.45.
" 6. Paid for repairs on Store, $ 14.50.
" 7. Sold Merchandise for Cash, $ 415.75.
" 8. Received $ 28.50 as commission for selling goods. (Debit Cash. Credit Loss and Gain.)

March 10. Sold Merchandise to John Roach on his note @ 5 days, $ 372.65.

" 11. Received Cash of Adam Smith on %, $ 220.

" 12. Bought Merchandise of J. P. Judson on our note @ 10 days, $ 382.75.

" 13. Paid Paul Jones Cash on %, $ 430.

" 14. Sold Merchandise to R. C. Kimball on his note @ 30 days, $ 261.75.

" 15. Received Cash in payment of John Roach's note due this day, $ 372.65.

" 17. Sold Merchandise for Cash, $ 350.

" 18. Bought Merchandise of Frank Tripler on our note @ 60 days, $ 285.50.

" 20. Goods not insured, valued at $ 23, have been lost by fire. (Debit Loss and Gain. Credit Merchandise.)

" 22. Paid our note to J. P. Judson due this day, $ 382.75.

" 24. Sold for Cash our entire stock of goods for $ 1200.

" 24. Sold Real Estate for Cash, $ 4500.

Ledger for Exercise 5

Dr. ***Cash*** ***Cr.***

Mar.	3	630	20	Mar.	6	14	50
"	7	415	75	"	13	430	00
"	8	28	50	"	22	382	75
"	11	220	00				
"	15	372	65				
"	17	350	00				
"	24	1200	00				
"	24	4500	00				

Dr. ***Merchandise*** ***Cr.***

Mar.	3	742	60	Mar.	4	525	50
"	5	936	45	"	7	415	75
"	12	382	75	"	10	372	65
"	18	285	50	"	14	261	75
				"	17	350	00
				"	20	23	00
				"	24	1200	00

Dr. **Real Estate** **Cr.**

Mar.	3	4650 00		Mar.	24	4500 00	

Dr. **Adam Smith** **Cr.**

Mar.	4	525 50		Mar.	11	220 00	

Dr. **Paul Jones** **Cr.**

Mar.	13	430 00		Mar.	5	936 45	

Dr. **Bills Receivable** **Cr.**

Mar.	10	372 65		Mar.	15	372 65	
"	14	261 75					

Dr. **Bills Payable** **Cr.**

Mar.	22	382 75		Mar.	12	382 75	
				"	18	285 50	

Dr. **Loss and Gain** **Cr.**

Mar.	20	23 00		Mar.	8	28 50	

Dr. **Expense** **Cr.**

Mar.	6	14 50					

Dr. **Proprietor** **Cr.**

				Mar.	3	6022 80	

Trial Balance for Exercise 5

	Dr.		Cr.	
Cash,	7717	10	827	25
Merchandise,	2347	30	3148	65
Real Estate,	4650	00	4500	00
Adam Smith,	525	50	220	00
Paul Jones,	430	00	936	45
Bills Receivable,	634	40	372	65
Bills Payable,	382	75	668	25
Loss and Gain,	23	00	28	50
Expenses,	14	50		
Proprietor,			6022	80
	16724	55	16724	55

Statement for Exercise 5

	Items		Totals	
Resources —				
Cash,	6889	85		
Adam Smith,	305	50		
Bills Receivable,	261	75	7457	10
Liabilities —				
Paul Jones,	506	45		
Bills Payable,	285	50	791	95
Net Capital,			6665	15
Gains —				
Merchandise,	801	35		
Loss and Gain,	5	50	806	85
Losses —				
Real Estate,	150	00		
Expense,	14	50	164	50
Net Gain,			642	35

Verification of Statement

Net Capital at present time,	$6665.15
Net Capital at beginning,	6022.80
Net Gain,	$642.35

Analysis of the Ledger

It should be remembered that the main purpose of book-keeping is to enable you to determine your resources and liabilities, also your gain and loss during a given time. If you are not able to draw these facts from the ledger and make a statement of them, your book-keeping is of little or no value to you.

A **Statement** is an exhibit of the results of the ledger, showing the resources, the liabilities, the gains, and the losses; also the net gain or net loss, and the net capital.

The results shown in the statements are obtained by an analysis of the ledger accounts.

Ledger accounts may be readily analyzed by recalling the general principles of debit and credit as stated in the four general rules for journalizing, page 115. Applying these rules to each of the above accounts you may determine whether it represents a resource, liability, gain, or loss. Let us begin with the first account, Cash, as found in the above trial balance.

The **Cash account** being debited for all money received and credited for all money paid out (Rule 1), it follows that, as the debit side is the larger, the difference, $6889.85, is a resource. Check each account, first in trial balance and then in statement, as the results are obtained.

As the **Merchandise account** is debited when the goods come in, that is, when purchased, and credited when they pass out, that is, when sold (Rule 1), the debit side, $2347.30, shows the cost, and the credit side, $3148.65, the amount for which they were sold; hence the difference, $801.35, is placed under the gain (check).

The **Real Estate account**, like the Merchandise, is debited when the property comes in, or is purchased, and credited when it goes out, or is sold (Rule 1). As the debit side or the cost is greater than the credit side or the amount for which it was sold, the difference, $150, is placed under the losses.

As a **Person's account** is debited when he receives value from us, or owes us, and credited when we receive value from him, or owe him (Rule 2), it follows that Adam Smith's account being larger on the debit side, the difference, $305.50, is a resource.

Applying the same rule and reasoning to Paul Jones' account, it is found that his account represents a liability of $506.45.

Bills Receivable account being debited when the notes or bills come in and credited when they go out, that is, when paid (Rule 1), the debit side being the larger, the difference, $261.75, shows the amount still due us, and is therefore a resource.

Bills Payable account being debited when the notes or bills come in, that is, when redeemed, and credited when they go out, that is, when issued (Rule 1), the credit side being the larger, it follows that we owe the difference, $285.50; hence bills payable is a liability.

The **Loss and Gain account** being debited for losses and credited for gains (Rule 3), it follows that the credit side being the larger, the difference, $5.50, is a gain.

The **Expense account**, a branch or subdivision of the loss and gain account, being debited for losses and credited for gains, the amount, $14.50, is a loss.

As the **Proprietor's account** is credited for his investment and debited for the amount drawn out (Rule 4), his account does not show specially a resource, liability, gain, or loss, and is therefore omitted in making up the statement.

The **Net Gain** is the difference between the total gains and total losses. The **Net Capital** is the difference between the total resources and total liabilities.

From the above analysis it appears that in a double entry ledger there are two distinct classes of accounts, — one class representing resources or liabilities, sometimes called **Primary accounts**, the other class representing gains or losses, sometimes called **Secondary accounts**; that a debit balance in a

primary account shows a resource, while a credit balance shows a liability; that a debit balance of a secondary account shows a loss, while a credit balance shows a gain. All personal accounts, Cash, and written obligations to pay Cash are Primary, while all or nearly all other accounts are Secondary.

Review

1. What is a statement? 2. How are the results shown in the statement obtained? 3. When the debit side of the cash account is the larger, what result is shown? Can the credit side ever be the larger in this account? 4. Which side of the merchandise account shows the cost? When the credit side is the larger, what result is shown? 5. What result is shown when the debit side of the real estate is the larger? Illustrate. 6. When does a personal account show a resource, and when a liability? Illustrate. 7. When a note is received, on which side of the bills receivable account is the entry made? When is the entry made on the credit side of this account? When the debit side is the larger, what result is shown? 8. When is the account bills payable credited, and when debited? Which side must be the larger to show a liability? Can the debit side ever be the larger? 9. When the credit side of the loss and gain account is the larger, what result is shown? Mention some branch accounts, or subdivisions, of the loss and gain account. 10. Does the proprietor's account show either a resource, liability, gain, or loss? 11. How is the net capital found? How is the net gain found? How is the net gain found in single entry?

Rule for finding the Gain or Loss when Property remains Unsold

Add the value of the unsold property to the credit of the account, then find the difference between the two sides. When the credit side is the larger, the difference is a gain; but when the debit side is the larger, the difference is a loss.

Example

Merchandise account, debit, $1250; credit, $900. The value of the Merchandise unsold is $500. What is the gain or loss? *Ans.* Gain, $150.

Explanation. Since the Merchandise account is credited for the sales, $900 represents the amount for which the goods have been sold, to which should be added the value of goods unsold, $500, making a sum of $1400. Deducting $1250, the debit, or the cost, gives $150, the gain.

Find the gain or loss in the following Property accounts:

1. Merchandise account, debit, $2600; credit, $2750; value of Merchandise unsold, $230.
2. Merchandise account, debited, $980.50; credit, $720.40; value of Merchandise unsold, $155.60.
3. Real Estate account, debit, $4500; credit, $2500; unsold valued at $3200.
4. Erie R. R. Stock, debit, $2750; credit, $1500; unsold market value, $1000.
5. Merchants' Bank Stock, debit, $3675; no credit. The market value of the stock to-day is $3850.

Exercises in making Statements

Directions. Analyze each of the following trial balances, and make a statement of the *Resources, Liabilities, Net Capital, Gains, Losses,* and *Net Gain,* or *Net Loss,* following the form given on page 139.

Trial Balance 1	*Dr.*		*Cr.*	
Proprietor,			7000	00
Cash,	14132	22	7464	36
Merchandise (Unsold, $900),*	3745	00	3385	00
Expense,	125	00		
Thomas White,	360	00	160	00
King & Johnson,	400	00	250	00
W. W. Wood,	800	00	2000	00
Stuart Irving,	1470	00	1470	00
Bills Receivable,	1525	00	725	00
Bills Payable,	1470	00	1670	00
N. Y. Cent. R. R. Stock,	5000	00	4900	00
Interest and Discount,	2	78	5	64
	29030	00	29030	00

* Unsold Mdse. and unsold property of every kind is a resource.

Trial Balance 2	*Dr.*	*Cr.*
Proprietor,		3200 00
Cash,	2800 00	2265 00
Bills Receivable,	1700 00	1300 00
Bills Payable,	450 00	2000 00
Black & Clifford,	325 00	795 00
R. M. Browning,	880 00	250 00
Gilbert Coleman,	730 00	150 00
Merchandise (Inventory, $1500),	5600 00	3800 00
Reading R. R. Stock (Inventory, $2000),	4000 00	2500 00
Expense,	375 00	
Commission,		600 00
	16860 00	16860 00

Trial Balance 3	*Dr.*	*Cr.*
Proprietor,		3000 00
Merchandise (Inventory, $3200),	5000 00	2420 00
Expense,	250 00	
Real Estate,	6700 00	6500 00
Interest and Discount,	45 00	65 00
Cash,	2750 00	2425 00
Robert Maynard,	875 00	240 00
Hart & King,	700 00	500 00
Bills Receivable,	1500 00	800 00
Bills Payable,	250 00	1250 00
Geo. P. Wright,		975 00
Jas. Crawford,	350 00	600 00
J. H. Williams & Co.,	1000 00	1375 00
Miller & Hall,	755 00	
Loss and Gain,		25 00
	20175 00	20175 00

Trial Balance 4

Capital,					
Merchandise	(Inventory, $6500),	9000	00		
Real Estate	(Inventory, $4000),	8700	00		
Erie R. R. Stock	(Inventory, $500),	3500	00		
Personal Property	(Inventory, $300),	1250	00		
Expense,		175	00		
Loss and Gain,					
Cash,		400	00	320	
Bills Receivable,		1550	00	1200	
W. H. Walker,		640	00		
James Simpson,		875	00	450	00
Bills Payable,				7000	00
First National Bank,		280	00	50	00
J. C. Andrews,		1460	00	1800	00
Worth & Willis,		720	00	1000	00
J. P. Harper,		150	00	740	00
Davis, Taylor & Co.,				1990	00
		28700	00	28700	00

Trial Balance 5

	Dr.		Cr.	
Proprietor,			9650	00
Cash,	8240	50	6135	20
Real Estate (Inventory, $4500),	9500	00	4000	00
N. Y. Cent. R. R. Stock,	3850	00	3500	00
Expense,	175	80		
F. C. Jenkins,	2860	35	2150	70
Joseph Webster,	135	25	795	50
Benj. Churchfield,	627	60		
Barton & Co.,	500	00	940	00
Merchandise (Inventory, $4200),	8642	30	5925	40
Bills Payable,			1307	40
James Hunter,			127	60
	34531	80	34531	80

Balance Sheet Exercı

Accounts	Dr.		Cr.		Inventory		Losses	
Proprietor,			3200	00				
Cash,	2800	00	2265	00				
Bills Receivable,	1700	00	1300	00				
Bills Payable,	450	00	2000	00				
Black & Clifford,	325	00	795	00				
R. M. Browning,	880	00	250	00				
Gilbert Coleman,	730	00	150	00				
Merchandise,	5600	00	3800	00	1500	00	300	00
Reading R. R. Stock,	4000	00	2500	00	2000	00		
Expense,	375	00					375	00
Commission,			600	00				
	16860	00	16860	00	3500	00		
Net Gain,							425	00
							1100	00

		1100	00
Net Capital,	3625	00	
	5645	00	5645	00

Explanation. A Balance Sheet is a paper showing the combined results of a trial balance and statement. It exhibits the debits and credits of each account as well as the resources, liabilities, gains, and losses.

Various forms of balance sheets are in use, but the one above is simple and practical, and shows in itself the purpose of such a paper.

Balance sheets for Exercises 1, 3, 4, and 5 should now be made.

Another Form of Balance Sheet

Losses		Resources		Debits		Accounts	Credits		Liabilities		Gains	
						Proprietor	*3200*	*00*				
		535	*00*	*2800*	*00*	*Cash*	*2265*	*00*				
		400	*00*	*1700*	*00*	*Bills Receivable*	*1300*	*00*				
				450	*00*	*Bills Payable*	*2000*	*00*	*1550*	*00*		
				325	*00*	*Black & Clifford*	*795*	*00*	*470*	*00*		
		630	*00*	*880*	*00*	*R. M. Browning*	*250*	*00*				
		580	*00*	*730*	*00*	*Gilbert Coleman*	*150*	*00*				
300	*00*	*1500*	*00*	*5600*	*00*	*Merchandise*	*3800*	*00*				
		2000	*00*	*4000*	*00*	*Reading R. R. Stock*	*2500*	*00*			*500*	*00*
375	*00*			*375*	*00*	*Expense*						
						Commission	*600*	*00*			*600*	*00*
675	*00*	*5645*	*00*	*16860*	*00*		*16860*	*00*	*2020*	*00*	*1100*	*00*

Closing Accounts

The purpose of closing accounts in the ledger is twofold; first, to exclude from further consideration all entries except the difference or balance, and second, to cause the proprietor's account to show the net gain or net loss.

Accounts which represent resources or liabilities, such as personal accounts, Cash, etc., are closed in the same way as in single entry (see page 32); but accounts which in any way show gains or losses are closed in a different manner and require an explanation. We shall begin with the merchandise account.

Dr. ***Merchandise*** ***Cr.***

June	1		1400 00	June	4		1200 00
"	2		3200 00	"	8		2500 00
"	7		1000 00	"	14		672 35
"	10		295 50	"	17		865 45
"	30	Loss and Gain	400 55	"	28		358 25
				"	30	Inventory	700 00
			6296 05				6296 05

To close the Merchandise Account

1st. Enter the inventory (value of unsold Merchandise) in red ink on the credit side.

2d. After the inventory has been entered, ascertain the difference between the two sides.

3d. Enter the difference, $400.55, in red ink, on the smaller side (in this case the debit), with the words "Loss and Gain."

4th. Carry the difference to the opposite side of the ledger under the loss and gain account, entering it in black ink, with the word "Merchandise."

5th. Enter the footing and rule the lines.

Dr. ***Interest and Discount*** ***Cr.***

June	19			4	87	June	15	10	67
"	26			1	75				
"	30	Loss and Gain		1	55				
				10	67			10	67

To close the Interest and Discount Account

1st. Ascertain the difference between the two sides and enter it on the smaller side, in red ink, with the words "Loss and Gain."

2d. Carry this difference to the opposite side of the ledger under the loss and gain account, entering it in black ink, with the words "Interest and Discount."

Dr. ***Expense*** ***Cr.***

June	3			175	00	June	30	Loss and Gain	261	50
"	5			26	50					
"	30			60	00					
				261	50				261	50

The expense account is closed in the same manner as the interest and discount account.

Dr. ***Loss and Gain*** ***Cr.***

June	30	Expense		261	50	June	30	Merchandise	400	55
"	30	Proprietor		143	60	"	30	Int. and Dis.	4	55
				405	10				405	10

To close the Loss and Gain Account

The debit side of this account now shows all the losses, and the credit side all the gains, the difference, $143.60, being the net gain.

1st. Enter the difference between the two sides on the smaller side in red ink, with the word "Proprietor."

2d. Carry this difference to the opposite side of the ledger under the proprietor's account, entering it in black ink

Dr. ***Proprietor*** ***Cr.***

June	30	Balance		2985	85	June	1		2841	75
						"	30	Loss and Gain	143	60
				2985	85				2985	85

To close the Proprietor's Account

The proprietor's account now shows on the credit side not only his investment, but also his net gain. The account is closed by entering on the smaller side (debit side) in red ink the amount which makes the sides equal, with the word "Balance."

Remark. It will now be seen that the gains and losses in the statement correspond with the results shown by the secondary accounts in the ledger.

The method of closing accounts which show gains or losses may be stated in the following general

Rules for Closing

1st. *Enter the inventory in red ink on the credit side of the account to which it belongs.*

2d. *Ascertain the difference between the two sides, and close the account into loss and gain account.*

3d. *After all the accounts which show gains or losses have been closed into the loss and gain account, then close the loss and gain account into the proprietor's account.*

4th. *Close the proprietor's account in the same way that a personal account is closed.*

Review

1. What is the purpose of closing an account in the ledger? 2. Are accounts which represent resources or liabilities closed in the same way as accounts which show gains or losses? 3. Describe the manner of closing the cash account. 4. What is the first step in closing an account which shows a gain or loss when there is an inventory pertaining to that account? What is an inventory? 5. Before any steps have been taken to close the merchandise account, does either the debit or credit side show the value of the property unsold? What facts are shown by the two sides of this account before the inventory is entered? 6. Into what account is the merchandise account and all accounts which show gains or losses closed? 7. Into what account is the gain and loss account closed? 8. On which side of the proprietor's account will the gain appear?

Exercises in closing Accounts which show Gains and Losses

Direction. Open in the blank ledger the accounts mentioned below, allowing five lines for each, and then close according to the directions given on page 148.

1

Proprietor's account, credit, Feb. 4, $ 8520; debit, Feb. 20, $ 120. *Merchandise account,* debit, Feb. 4, $ 2630; Feb. 10, $ 722; Feb. 20, $ 624; credit, Feb. 6, $ 850; Feb. 9, $ 975. *Real Estate account,* debit, Feb. 5, $ 900; credit, Feb. 25, $ 8800. *Expense account,* debit, Feb. 12, $ 26.40; Feb. 28, $ 8.35. *Loss and Gain account,* credit, Feb. 8, $ 15.30. Inventory of Merchandise, $ 2640.

2

Proprietor's account, credit, March 1, $ 1540. *Merchandise account,* debit, March 2, $ 2105.40; credit, March 4, $ 756.24; March 15, $ 1020. *Erie R. R. Stock,* debit, March 6, $ 1200; credit, March 20, $ 1270.50. *Expense account,* debit, March 14, $ 127.50. *Loss and Gain account,* credit, March 28, $ 95.50. Inventory of Merchandise, $ 300.

3

Stock (Proprietor), credit, April 7, $987.50; debit, April 17, $100. *Merchandise*, debit, April 7, $1492.85; credit, April 10, $676.40; April 14, $376.75; April 30, $580.20. *Real Estate*, debit, April 18, $3490. *Interest and Discount*, debit, April 16, $7.85; credit, April 25, $12.45. Inventory of Real Estate, $3600.

4

Stock, credit, May 1, $5000. *Merchandise*, debit, May 2, $700; May 7, $800; credit, May 15, $300.75; May 24, $200; May 27, $699.25. *N. Y. Cent. R. R. Stock*, debit, May 15, $2000; credit, May 20, $1800. *Expense*, debit, May 18, $14.50. *Interest and Discount*, debit, May 4, $4.75; credit, May 26, $2.50. Inventory Merchandise, $500. N. Y. Cent. R. R. Stock, $600.

5

Frank Wells (Proprietor), debits, June 1, $230; June 30, $350; credits, June 1, $4875; June 15, $2500. *Merchandise*, debits, June 2, $3180.50; June 8, $870.40; credits, June 4, $578.25; June 10, $1298.75; June 20, $1047.50; June 25, $765.80. *Expense*, debits, June 2, $150; June 5, $32.50; June 18, $43.20. *Interest and Discount*, debits, June 15, $2.65; June 25, $3.15; credits, June 12, $5.20; June 30, $1.85. *Lake Shore R. R. Stock*, debit, June 5, $4150; credit, June 30, $1875.30. *Loss and Gain*, debit, June 12, $105.50. Inventory of Merchandise, $900. Inventory of Lake Shore R. R. Stock, $2100.

6

Walter Harris and James Hunt are partners sharing the gains and losses equally. Walter Harris' %, debit, July 5, $178.50; credit, July 5, $7780. James Hunt's %, debit, July 24, $250; credit, July 5, $8200. *Wheat* (Merchandise), debits, July 7, $5870.40; July 10, $3170.20; July 25, $2235; credits, July 6, $3790.60; July 13, $2840.50; July 20, $2500; July 27, $1200. *Expense*, debits, July 6, $47.50; July 10, $125. *Commission*, credits, July 12, $140; July 16, $85.50. *Real Estate*, debit, July 15, $5900; credit, July 30, $5540. *Loss and Gain*, debit, July 14, $160; credit, July 25, $240. Inventory of Wheat, $2250.

EXAMPLE I

A Complete Theoretical Set, including Day-Book, Journal, Ledger, Trial Balance, and Statement

In this example, a day-book, journal, ledger, trial balance, and statement are used to illustrate what is called a Theoretical Set.

In the day-book will be found a complete record of all the transactions made at the time they occur. The entry in this book should be clear, concise, and comprehensive, omitting no important detail.

The journal is the same as that used in preceding exercises.

In the ledger the only new feature to be observed is the explanation which accompanies each debit or credit. The explaining word in the ledger entry is the opposite or counter journal entry. For example, the journal entry on March 1 is cash debited and proprietor credited. When this cash debit is carried to the ledger, the explaining word used is "Proprietor," and when the proprietor's credit is entered in the ledger the explaining word is "Cash."

The different parts of this set should be examined in the following order: 1st. The day-book; 2d. The journal; 3d. The ledger; 4th. The trial balance; and 5th. The statement.

Trial Balance 2	*Dr.*	*Cr.*
Proprietor,		3200 00
Cash,	2800 00	2265 00
Bills Receivable,	1700 00	1300 00
Bills Payable,	450 00	2000 00
Black & Clifford,	325 00	795 00
R. M. Browning,	880 00	250 00
Gilbert Coleman,	730 00	150 00
Merchandise (Inventory, $1500),	5600 00	3800 00
Reading R. R. Stock (Inventory, $2000),	4000 00	2500 00
Expense,	375 00	
Commission,		600 00
	16860 00	16860 00

Trial Balance 3	*Dr.*	*Cr.*
Proprietor,		3000 00
Merchandise (Inventory, $3200),	5000 00	2420 00
Expense,	250 00	
Real Estate,	6700 00	6500 00
Interest and Discount,	45 00	65 00
Cash,	2750 00	2425 00
Robert Maynard,	875 00	240 00
Hart & King,	700 00	500 00
Bills Receivable,	1500 00	800 00
Bills Payable,	250 00	1250 00
Geo. P. Wright,		975 00
Jas. Crawford,	350 00	600 00
J. H. Williams & Co.,	1000 00	1375 00
Miller & Hall,	755 00	
Loss and Gain,		25 00
	20175 00	20175 00

Trial Balance 4		***Dr.***		***Cr.***	
Capital,				500	00
Merchandise	(Inventory, $6500),	9000	00	4725	00
Real Estate	(Inventory, $4000),	8700	00	5500	00
Erie R. R. Stock	(Inventory, $500),	3500	00	2500	00
Personal Property	(Inventory, $300),	1250	00	800	00
Expense,		175	00		
Loss and Gain,				125	00
Cash,		400	00	320	00
Bills Receivable,		1550	00	1200	00
W. H. Walker,		640	00		
James Simpson,		875	00	450	00
Bills Payable,				7000	00
First National Bank,		280	00	50	00
J. C. Andrews,		1460	00	1800	00
Worth & Willis,		720	00	1000	00
J. P. Harper,		150	00	740	00
Davis, Taylor & Co.,				1990	00
		28700	00	28700	00

Trial Balance 5	***Dr.***		***Cr.***	
Proprietor,			9650	00
Cash,	8240	50	6135	20
Real Estate (Inventory, $4500),	9500	00	4000	00
N. Y. Cent. R. R. Stock,	3850	00	3500	00
Expense,	175	80		
F. C. Jenkins,	2860	35	2150	70
Joseph Webster,	135	25	795	50
Benj. Churchfield,	627	60		
Barton & Co.,	500	00	940	00
Merchandise (Inventory, $4200),	8642	30	5925	40
Bills Payable,			1307	40
James Hunter,			127	60
	34531	80	34531	80

Balance Sheet Exercise 2

Accounts	Dr.	Cr.	Inventory	Losses	Gains	Liabilities	Resources
Proprietor,		3200 00					
Cash,	2800 00	2265 00					535 00
Bills Receivable,	1700 00	1300 00					400 00
Bills Payable,	450 00	2000 00				1550 00	
Black & Clifford,	325 00	795 00				470 00	
R. M. Browning,	880 00	250 00					630 00
Gilbert Coleman,	730 00	150 00					580 00
Merchandise,	5600 00	3800 00	1500 00	300 00			1500 00
Reading R. R. Stock,	4000 00	2500 00	2000 00		500 00		2000 00
Expense,	375 00			375 00			
Commission,		600 00			600 00		
	16860 00	16860 00	3500 00				
			Net Gain,	425 00			
				1100 00	1100 00		
					Net Capital,	3625 00	
						5645 00	5645 00

Explanation. A Balance Sheet is a paper showing the combined results of a trial balance and statement. It exhibits the debits and credits of each account as well as the resources, liabilities, gains, and losses.

Various forms of balance sheets are in use, but the one above is simple and practical, and shows in itself the purpose of such a paper.

Balance sheets for Exercises 1, 3, 4, and 5 should now be made.

Another Form of Balance Sheet

Losses		Resources		Debits		Accounts	Credits		Liabilities		Gains	
						Proprietor	3200	00				
		535	00	2800	00	*Cash*	2265	00				
		400	00	1700	00	*Bills Receivable*	1300	00				
				450	00	*Bills Payable*	2000	00	1550	00		
				325	00	*Black & Clifford*	795	00	470	00		
		630	00	880	00	*R. M. Browning*	250	00				
		580	00	730	00	*Gilbert Coleman*	150	00				
300	00	1500	00	5600	00	*Merchandise*	3800	00				
		2000	00	4000	00	*Reading R. R. Stock*	2500	00			500	00
375	00			375	00	*Expense*						
						Commission	600	00			600	00
675	00	5645	00	16860	00		16860	00	2020	00	1100	00

Ledger

Dr. **Proprietor** **Cr.**

Mar.	31	Balance		7812	84	Mar.	1	Cash	156	7000	00
						"	31	Loss and Gain	159	812	84
				7812	84					7812	84

Dr. **Cash** **Cr.**

Mar.	1	Proprietor	156	7000	00	Mar.	3	Expense	156	125	00
"	6	Merchandise	156	412	50	"	9	Merchandise	156	75	00
"	8	Merchandise	156	212	50	"	17	N.Y. C. R.R. S.	157	5000	00
"	10	Thomas White	156	162	75	"	20	W. W. Wood	157	823	50
"	22	Bills Receivable	157	722	22	"	25	Bills Payable	157	1469	58
"	24	Merchandise	157	545	50	"	31	Balance		6719	14
"	27	N.Y. C. R.R. S.	157	4900	00						
"	31	King & Johnson	157	256	75						
				14212	22					14212	22

Dr. **Merchandise** **Cr.**

Mar.	2	W. W. Wood	156	2070	80	Mar.	5	Thomas White	156	360	00
"	4	Stewart Irving	156	1474	50	"	6	Cash	156	412	50
"	9	Sundries	156	275	00	"	8	Sundries	156	612	50
"	31	Loss and Gain	159	585	70	"	12	Bills Receivable	157	725	00
						"	24	Sundries	157	1345	50
						"	31	Inventory		900	00
				4855	50					4855	50

Dr. **Expense** **Cr.**

Mar.	3	Cash	156	125	00	Mar.	31	Loss and Gain	159	125	00

Dr. **Thomas White** **Cr.**

Mar.	5	Merchandise	156	360	00	Mar.	10	Cash	156	162	75

Dr. **King & Johnson** **Cr.**

Mar.	8	Merchandise	156	400	00	Mar.	31	Cash	157	256	75

Dr. **W. W. Wood** **Cr.**

Mar.	20	Cash	157	823	50	Mar.	2	Merchandise	156	2070	80

Dr. **Stewart Irving** **Cr.**

Mar.	15	Bills Payable	157	1474	50	Mar.	4	Merchandise	156	1474	50

Dr. **Bills Receivable** **Cr.**

Mar.	12	Merchandise	157	725	00	Mar.	22	Sundries	157	725	00
"	24	Merchandise	157	800	00						

Dr. **Bills Payable** **Cr.**

Mar.	25	Sundries	157	1474	50	Mar.	9	Merchandise	156	200	00
						"	15	Stewart Irving	157	1474	50

Dr. **N. Y. Cent. R. R. Stock** **Cr.**

Mar.	17	Cash	157	5000	00	Mar.	27	Cash	157	4900	00
						"	31	Loss and Gain	159	100	00
				5000	00					5000	00

Dr. **Interest and Discount** **Cr.**

Mar.	22	Bills Receivable	157	2	78	Mar.	25	Bills Payable	157	4	92
"	31	Loss and Gain	159	2	14						
				4	92					4	92

Dr. **Loss and Gain** **Cr.**

Mar.	31	Expense	158	125	00	Mar.	31	Merchandise	158	535	70
"	31	N.Y.C. R.R.S.	159	100	00	"	31	Int. and Dis.	159	2	14
"	31	Proprietor	158	312	84						
				537	84					537	84

Trial Balance	*Dr.*	*Cr.*
Proprietor,		7000 00
Cash,	14212 22	7493 08
Merchandise (Unsold, $900),	3819 80	3455 50
Expense,	125 00	
Thomas White,	360 00	162 75
King & Johnson,	400 00	256 75
W. W. Wood,	823 50	2070 30
Stewart Irving,	1474 50	1474 50
Bills Receivable,	1525 00	725 00
Bills Payable,	1474 50	1674 50
N. Y. Cent. R. R. Stock,	5000 00	4900 00
Interest and Discount,	2 78	4 92
	29217 30	29217 30

Statement

	Items	Totals
RESOURCES —		
Merchandise unsold,	900 00	
Cash,	6719 14	
Thomas White,	197 25	
King & Johnson,	143 25	
Bills Receivable,	800 00	8759 64
LIABILITIES —		
W. W. Wood,	1246 80	
Bills Payable,	200 00	1446 80
Net Capital,		7312 84
GAINS —		
Merchandise,	535 70	
Interest and Discount,	2 14	537 84
LOSSES —		
Expense,	125 00	
N. Y. Cent. R. R. Stock,	100 00	225 00
Net Gain,		312 84

The Day-Book Journal

The day-book and journal combined in one book as found below is a practical form of a book of original entry.

It should be compared with the day-book and journal of Example 1, as it is formed out of those two books.

Dr. *New York, March* 1, 189– *Cr.*

7000	00		CASH		
			PROPRIETOR	7000	00
			Investment.		
			2		
2070	30		MERCHANDISE		
			W. W. WOOD	2070	30
			Bought 402 bbls. Flour @ $5.15.		
			3		
125	00		EXPENSE		
			CASH	125	00
			Paid rent for March.		
			4		
1474	50		MERCHANDISE		
			STEWART IRVING	1474	50
			Bought 805 bu. Wheat @ 90¢, $724.50.		
			" 1500 bu. Corn @ 50¢, $750.00.		
			5		
360	00		THOMAS WHITE		
			MERCHANDISE	360	00
			Sold, on %, 600 bu. Corn @ 60¢.		
			6		
412	50		CASH		
			MERCHANDISE	412	50
			Sold James Young for Cash		
			50 bbls. Flour @ $6.25, $312.50.		
			100 bu. Wheat @ $1, $100.00.		
			8		
212	50		CASH		
400	00		KING & JOHNSON		
			MERCHANDISE	612	50
			Sold 98 bbls. Flour @ $6.25, $612.50,		
			Received Cash, $212.50; balance on %.		
			9		
275	00		MERCHANDISE		
			CASH	75	00
			BILLS PAYABLE	200	00
			Bot. of S. Ward 500 bu. Corn @ 55¢.		
			Paid Cash, $75; gave note @ 30 ds. for $200.		
			10		
162	75		CASH		
			THOMAS WHITE	162	75
			Received on %.		

Set A

Direction. 1st. Journalize the transactions. 2d. Post them. 3d. Make the trial balance. 4th. Make the statement. 5th. Close the accounts in the ledger which show gains or losses, causing the proprietor's account to show the net gain or net loss.

Suggestion. Either the day-book journal, or the more simple form of journal, may be used in this and the following set.

Jan. 2. The proprietor began business with Cash on hand, $ 4500.
" 3. Bought Merchandise of Chas. Mason for Cash, $ 1500.
" 4. Sold Merchandise for Cash, $ 850.
" 6. Bought Merchandise for Cash, $ 500.
" 7. Bought Merchandise of Henry Wilson on %, $ 975.
" 7. Sold Merchandise to J. H. Raymond on %, $ 740.
" 9. Sold Merchandise to James Worth for Cash, $ 625.
" 10. Bought Merchandise of Geo. C. Adams & Co. on %, $ 1000.
" 11. Sold Merchandise to Miller & White on %, $ 1460.
" 13. Paid Henry Wilson Cash on %, $ 250.
" 14. Received Cash of J. H. Raymond on %, $ 400.
" 14. Paid store rent for April, $ 150.
" 18. Sold Merchandise for Cash, $ 1045.00.
" 20. Received of Miller & White Cash on %, $ 460.
" 24. Paid for stationery and postage, $ 25.
" 29. Received of J. H. Raymond Cash in full of his account, $ 340.
" 31. The proprietor has drawn Cash for private use, $ 200.

Ans. Net Capital, $ 4870; Net Gain, $ 570.

Set B

Feb. 1. Began business with resources and liabilities as follows: Cash on hand, $ 2300; E. F. Cooper owes me on %, $ 1500; I owe Chas. A. Davis on %, $ 800.
" 2. Paid store rent for February, $ 250.
" 3. Bought Merchandise for Cash, $ 1200.
" 5. Sold Merchandise to Edgar Hill on his note @ 5 days, $ 670.
" 6. E. F. Cooper paid Cash on %, $ 450.

Feb. 7. Sold Merchandise for Cash, $ 585.50.
" 8. Bought Merchandise of Daniel Curtis on my note @ 12 days, $ 2580.
" 10. Sold Merchandise to Harris & Gray, $ 1050; received in payment, Cash, $ 550; balance charged to their account.
" 12. Paid store expenses, $ 18.75.
" 13. Edgar Hill has paid his note, $ 670.
" 15. Sold Merchandise to R. C. Dayton on his note @ 60 days, $ 820.
" 17. Paid Chas. A. Davis, Cash in full of account, $ 800.
" 20. Bought Merchandise of Marvin & Co., $ 2175; paid Cash, $ 675; and gave my note @ 12 days for balance, $ 1500.
" 22. Sold Merchandise to Frank Jones for Cash, $ 1800.
" 23. Paid our note to Daniel Curtis of the 8th in Cash, $ 2580.
" 24. Received of Harris & Gray, Cash on %, $ 150.
" 27. The proprietor has drawn Cash for private use, $ 260.
" 28. Received of Harris & Gray $ 100 on %.
Merchandise remaining unsold is valued at $ 1400.
Ans. Net Capital, $ 2841.75; Net Gain, $ 101.75.

Journal Exercises

The ability to readily determine the debits and credits in complicated transactions must be acquired by the book-keeper at some time, and it is suggested that the present is the best time to practice journalizing till he becomes proficient.

Nothing in the entire course of Book-keeping calls into play the reasoning faculties so much as journalizing intricate transactions, and as a means of developing the power to think logically upon practical questions, the exercise is highly recommended.

For journalizing drafts and acceptances, Rule 2 may be briefly expressed thus: **Debit** *the person who draws a draft on us;* **credit** *the person on whom we draw.*

1

Direction. Enter only in the journal.

1. Frank Judson has drawn a draft on us @ 10 days' sight for balance due him, $225, which we have accepted.

Explanation. Frank Judson, having drawn on us, is debited according to the rule as expressed above. The draft is accepted by our writing certain words across its face, thus making it our written obligation to pay (Rule 1). When these written obligations are issued, or go out, they are credited as bills payable (Rule 1).

2. We have drawn a draft @ 5 days' sight on J. L. Harper for $165 in our own favor, which Harper has accepted.

Explanation. Having drawn on J. L. Harper, he should be credited according to the rule,—Debit the person who draws on us, credit the person on whom we draw. The draft having been accepted, we debit bills receivable, as it comes in (Rule 1).

3. Shipped to Smith & Hall, Chicago, to be sold on our account and risk, Merchandise valued at $2500.

Explanation. "Shipment to Smith & Hall" is the title of the account which should be debited, as the goods are not sold but only shipped to Smith & Hall to be sold on our account and risk. Merchandise account should be credited (Rule 1).

4. Prepaid my note of $750 to Wm. Austin & Co.; discount off, $6.88; net proceeds paid in Cash, $743.12.

Explanation. To prepay a note is to pay it before it is due. As the note is redeemed, or comes in, bills payable is debited for its face value, $750 (Rule 1). Cash is credited (Rule 1) for the amount paid. Discount also is credited for $6.88, as we have gained the discount. Discount being a branch of the loss and gain account, it should be debited when we lose the discount, but credited when we gain the discount.

5. A. P. Stevens has prepaid his note to us for $645; discount off, $8.92; net proceeds received in Cash, $636.08.

Explanation. Cash should be debited for the actual amount received, $636.08. As we have lost the discount, $8.92, the account discount should be debited, and bills receivable should be credited for the face value of the note, $645 (Rule 1).

6. Received Account Sales of Merchandise shipped to Smith & Hall, showing the net proceeds to be $2695, which we have received in Cash.

Explanation. We have received not only the account sales, but also the Cash. The account Cash is therefore debited. Since we debited shipment to Smith & Hall, when the Merchandise was sent to them, we should now credit that account, as the goods are sold. Shipment accounts are merely branches of the Merchandise account, and like that account show by the debit side the cost of the goods, and by the credit side the returns.

7. Thomas Irving has settled his account by giving us Cash, $140, and his sight draft on James Black for $160.

Explanation. A sight draft being considered as Cash, we should debit the Cash account for $140 plus $160.

8. Settled my account with Charles F. Kenyon by giving him a sight draft on George Hilton for $85.50, and my note @ 30 days for balance, $114.50.

Explanation. Charles F. Kenyon should be debited for the whole amount, $200 (Rule 2). George Hilton should be credited for $85.50, as we have drawn on him. Bills payable also should be credited.

9. Shipped to Gilbert & Foster, Portland, Me., to be sold on our account and risk, Merchandise valued at $950; paid freight on same, $22.

Explanation. Shipment to Gilbert & Foster should be debited for the value of the Merchandise plus the amount paid for freight, or $972.

10. Received from Gilbert & Foster, an Account Sales of Merchandise shipped to them, showing our net proceeds to be $895.

Explanation. As the goods have been sold, and we have not yet received the money, we should debit Gilbert & Foster for the amount they owe us, and credit Shipment to Gilbert & Foster.

How much was the gain or loss on this shipment?

2

1. Bought Merchandise of L. W. Hammond, $890; paid for same by giving Geo. Brown's note which we held for $350, and our note @ 30 days for the balance, $540.

2. Sold Merchandise to A. H. Stratton, $1475; received in payment his note @ 60 days for $1000, and his check on Fourth National Bank for the balance.

3. James C. Corning has drawn a draft @ 10 days' sight on us for $ 302, in favor of L. Mayer; accepted same.

4. Shipped to St. Louis to be sold on our account and risk, Merchandise valued at $ 1800.

5. We have drawn a sight draft on Logan & Co. for balance of their account, $ 260, and sent same to David Young to apply on his account.

6. John Jones has settled his account by giving us a check on Merchants' Bank for $ 97, and his draft @ 5 days on Robert Walker for balance, $ 303, said draft having been accepted by Walker.

7. Prepaid my note of $ 540; discount off, $ 2.07; net proceeds paid in Cash, $ 537.93.

8. A. H. Stratton has prepaid his note to us for $ 1000; discount off, $ 7.90; net proceeds received in Cash, $ 992.10.

9. Received Account Sales of Merchandise shipped to St. Louis; our net proceeds has been paid to us in Cash, $ 1750.

10. Settled my account with Henry Dwight by giving him a sight draft on Geo. Swift for $ 75 and Cash for balance, $ 25.

3

1. Accepted Wm. Mitchell's draft on us @ 15 days for $ 900 in favor of E. S. Wood.

2. Paid, with goods from store, S. C. Clark's order on us for $ 34.50 in favor of W. W. Stoddard.

3. Sold Merchandise to Geo. P. Smith, $ 900; received in payment Cash, $ 200, his note @ 5 days for $ 300, balance on %.

4. Bought Merchandise of S. T. Cary, $ 1200; gave in payment check on Mechanics' Bank for $ 300; a sight draft on John Parker for $ 450, and my note @ 4 months for the balance.

5. Geo. P. Smith is insolvent and we have accepted $ 120 in settlement of his note of $ 300; the balance, $ 180, is a total loss.

6. Received of W. G. Roberts, in settlement of his account, his note @ 30 days for $ 575, endorsed by C. Lambert.

7. The Merchants' Bank has discounted for me W. G. Roberts' note of $ 575 and given me the net proceeds in Cash, $ 572.25; discount allowed to the bank, $ 2.75.

8. Shipped to Reid & Lewis, Norfolk, Va., to be sold on our account and risk, Merchandise valued at $ 647; paid freight on same, $ 12.50.

9. Received of the Globe Insurance Co. $ 745.50 for goods destroyed by fire.

10. Reid & Lewis have sent us Account Sales of goods shipped, showing that our net proceeds are $ 720, for which they have sent us a draft on New York.

EXAMPLE II

The Special-column Journal

It has been the aim throughout this work to teach the pupil, step by step, the various parts of Book-keeping before giving him an entire set to work. When one has learned to journalize, to post, to make a balance sheet, and to close the accounts, he has at least learned the principles of double-entry Book-keeping. He has yet to learn some of the more practical forms to which these principles are applied.

The special-column journal on pages 169 and 170 is given as a practical form for keeping a business record when it is desired to keep but one book of original entry. At first glance it may appear intricate, but a closer examination will reveal, not only its simplicity, but also its utility as a labor-saving device.

Explanation of the Special-column Journal

The debits are entered on the left and the credits on the right, as in the ordinary journal.

In the column on the left, marked "Sundries," is entered every amount that should be debited except Cash. When Cash is to be debited, it should be entered in its own special column.

On the right, in the column marked "Sundries," is entered every amount that should be credited, except Cash and Merchandise. When Cash is to be credited, the entry should be made in the Cash column, not in the sundries column; and when Merchandise is sold, or when credited, the amount should be entered in the Merchandise column.

When the columns are added, the sum of the two on the left must, of course, be equal to the sum of the three on the right.

In posting, the total debit of the Cash column is carried directly to the ledger, and the credit column of Cash is posted in the same way. The sum of the Merchandise column is posted at once to the credit side of the ledger, but each amount in the sundries column is posted separately.

In examining the explanatory part of the journal, it will be seen that the day-book and journal have been combined, the journal entries being written in a larger hand, and the day-book part written below in a small neat hand.

The transactions from which this special-column journal has been made will be found on page 171.

Special-column Journal

Dr. *New York, Sept. 2, 189–* *Cr.*

Cash	Sundries			Sundries	Cash	Mdse.
	15400 00		Merchandise (per Inv.)			
	1360 00		Bill Receivable (Read's Note.)			
2150 00			Cash			
			Robert Patterson Proprietor	3750 00 15160 00		
			Began business with the above resources and liabilities.			
			3			
	150 00		Expense			
			Cash		150 00	
			Paid rent for September.			
			4			
	336 00		William Allen Merchandise			336 00
			Sold on % 240 bu. Wheat @ 90c., $216. " 160 bu. Corn @ 50c., $80. " 100 bu. Oats @ 40c., $40.			
			5			
	2525 00		Herman Decker Merchandise			2525 00
			Sold on % 200 bbls. Extra Flour @ $7.00, $1400. " 150 bbls. Fancy Flour @ $7.50, $1125.			
			7			
1360 00			Cash			
			Bills Receivable	1360 00		
			Received of James Read his check in payment of his note due this day.			
3510 00	19771 00			20270 00	150 00	2861 00

Dr. *New York, Sept. 9, 189–* *Cr.*

Cash	Sundries.	L. P.		Sundries.	Cash.	Mdse.
3510 00	19771 00		brought	20270 00	150 00	2861 00
	2500 00		Merchandise			
			Cash		500 00	
			Mason & Dixon	2000 00		
			Bought per Invoice, gave in part payment Check on Fourth Nat. Bk.			
			10			
450 00			Cash			
	525 00		Chas A. Wingate			
			Merchandise.			975 00
			Sold 500 bu. Corn @ 45c.			
			" 30 tons Mill Feed @ $25.			
			Rec'd Ck. on Union Bk., $450.			
			11			
	675 00		Expense			
			Cash		675 00	
			Bought Horse and Wagon.			
			Paid per check.			
			12			
	3627 35		Shipment to Brown & Co.			
			Merchandise			3600 00
			Cash		27 35	
			Shipped to Brown & Co. to be sold on our %. Paid freight per check.			
			13			
	336 00		Robert Patterson			
			Wm. Allen	336 00		
			Drew sight draft on Allen in favor of Patterson.			
			14			
	2525 00		Bills Receivable			
			Herman Decker	2525 00		
			Rec'd Decker's note @ 5 days to balance his %.			
3960 00	29959 35			25131 00	1352 35	7436 00
	3960 00			1352 35		
				7436 00		
	33919 35			33919 35		

Transactions for Example II

Suggestion. If the pupil is not confident of his powers in journalizing, he should work this set first, as a journal exercise, using the two-column instead of the special-column journal.

Direction. Try to understand the transaction before attempting to make the journal entry. When you have decided the proper debits and credits, make the journal entry first, and then add such words of explanation as the case requires. The explanation should be as concise as possible; at the same time no important detail should be omitted.

After completing the day-book journal, begin the ledger. After posting make a balance sheet, and then complete the set by closing all the ledger accounts which show either a gain or loss.

New York, Sept. 2, 1897. The proprietor, Edward Dean, has begun the Flour, Grain, and Feed business with the following resources: Merchandise (including Grain, Feed, and Flour) per inventory, $15400; James Read's note for $1360 due Sept. 7; Cash on hand, $2150. Liabilities, an account due Robert Patterson for $3750.

Sept. 3. Rented store and paid 1 month's rent in advance, $150.

" 4. Sold Wm. Allen on %, 240 bu. Wheat @ 90c.; 160 bu. Corn @ 50c.; 100 bu. Oats @ 40c.

" 5. Sold Herman Decker on %, 200 bbls. Extra Flour @ $7; 150 bbls. Fancy Flour @ $7.50.

" 5. Deposited in Fourth National Bank, $2000.

Explanation. No entry need be made in the journal for this transaction.

Sept. 7. James Read paid his note of $1360 due to-day by giving us check on Merchants' Bank.

" 9. Bought Flour per invoice of Mason & Dixon, $2500. Gave in payment check on Fourth National Bank, $500; balance on %.

" 10. Sold to Chas. A. Wingate, 500 bu. Yellow Corn @ 45c.; 30 tons Mill Feed @ $25. Received in payment his check on Union Bank for $450; balance on %.

" 11. Bought Horses and Delivery Wagons, $675. Paid for same by check. (Debit Expense. Credit Cash.)

" 12. Shipped to Brown & Co., Philadelphia, to be sold on our account and risk, an invoice of Corn and Oats valued at $3600. Paid freight on same per check, $27.35.

Sept. 13. Have drawn a sight draft on Wm. Allen for the balance of his account, $ 336, and sent same to Robert Patterson to apply on his account.

" 14. Received of Herman Decker, to balance his account, his note @ 5 days indorsed by Abel Fisher for $ 2525.

" 16. Wm. Allen having refused to pay the sight draft on him of the 10th for $ 336, Robert Patterson has returned the same to us.

" 18. Sold Herman Decker on %, 300 bu. Wheat @ 85c.; 5 tons Mill Feed @ $ 27.

" 19. Robert Patterson has drawn on us at sight for $ 1500, which we have paid by check.

" 22. Paid for advertising by check, $ 37.80.

" 23. Sold to Chas. A. Wingate, 120 bbls. Extra Flour @ $ 7. Received in payment his check on Union Bank for $ 500; balance on %.

" 25. Herman Decker has paid his note of $ 2525 by giving us Cash, $ 2000, and his sight draft on Benjamin Rogers for $ 525.

" 26. Brown & Co. have rendered account sales of goods shipped them on the 12th, showing our net proceeds to be $ 3958.75, for which they have given us their note @ 60 days.

" 28. Sold Daniel Morton, 220 bbls. Fancy Flour @ $ 7.25. Received in payment Cash, $ 595, and his note @ 30 days for balance.

Inventory of property remaining unsold. Merchandise, $ 8050. Horses and Wagons, $ 675.

Note. As the cost of the horses and wagons, $ 675, has been charged to expense, the real loss on expense account is the total debit less $ 675, or the present value of the horses and wagons.

Trial Balance, Example II	*Dr.*		*Cr.*	
Edward Dean, Proprietor,			15160	00
Merchandise ($8050, unsold),	17900	00	10261	00
Bills Receivable,	8843	75	3885	00
Expense ($675, Horses and Wagons),	862	80		
Cash,	7580	00	2890	15
Robert Patterson,	1836	00	4086	00
Wm. Allen,	672	00	336	00
Herman Decker,	2915	00	2525	00
Mason & Dixon,			2000	00
Chas. A. Wingate,	865	00		
Shipment to Brown & Co.,	3627	35	3958	75
	45101	90	45101	90

Set C

Oct. 1. Edward Dean, the proprietor, continues the business with the resources and liabilities from the preceding Example, viz.: Resources, — Merchandise, $8050; Horses and Wagons (Expense), $675; Cash, $4689.85; Bills Receivable, $4958.75; Wm. Allen's account, $336; Herman Decker's account, $390; Chas. A. Wingate's account, $865. Liabilities, — Due Robert Patterson on %, $2250; Mason & Dixon on %, $2000.

" 2. Paid rent for October per check, $150.

" 3. Received of Chas. A. Wingate Cash on %, $500.

" 4. Sold C. D. Henderson on %, 50 bbls. Fancy Flour @ $7.25; 120 bu. Rye @ 95c.

" 6. Paid Robert Patterson on % per check, $1000.

" 7. Bought of H. C. Dobson & Co. Merchandise per invoice, $1267.50. Paid Cash, $800; balance on %. Received for Cash sales, $580.75.

" 9. Paid for repairing wagon, $13.25.

" 10. Sold to Wm. Allen on %, 50 bu. White Corn @ 73c.; 100 bu. Yellow Corn @ 62c.

" 12. Have drawn a draft on Herman Decker for balance of his account, $390, and sent same to Mason & Dixon to apply on their account.

Oct. 13. Paid clerk hire, $18.

" 14. Received for Cash sales, $432.25.

" 16. Shipped to King & Miller, Newport, to be sold on our account and risk, Merchandise valued at $1325.

" 18. Gave to Mason & Dixon our note @ 5 days to balance their account, $1610.

" 19. Sold to Chas. A. Wingate on %, 2 tons Fine Feed @ $22.50; 20 bu. Barley @ $1.35.

" 21. Received for Cash sales, $619.70.

" 23. Paid per check our note to Mason & Dixon, due to-day, $1610.

" 24. Robert Patterson has drawn a draft on us @ 10 days for $500, in favor of M. R. Lewis, which we have accepted.

" 26. Wm. Allen has paid us Cash on %, $125.

" 28. Daniel Morton has paid his note due us this day, $1000. Received for Cash sales, $870.30.

" 30. Received from King & Miller account sales of Merchandise shipped them on the 16th. Our net proceeds, which they have remitted to us in Cash, are $1480.

" 31. Received for Cash sales, $127.40. Paid clerk hire, $28.

Inventory of Property: Merchandise unsold, $4750.25; Horses and Wagons, $650.00. *Ans.* Net Loss, $44.10.

Set D

Lumber Business

May 6. Philip Bruce began the lumber business with the following resources: Lumber valued at $7250; Horses and Wagons, $850; Cash on hand and in bank, $540.60.

" 7. Sold Bell & Graham on %, 16 M Hemlock Boards @ $11; 30 M Flooring @ $18.

" 8. Bought of Long & Willis on %, Lumber (Merchandise) per invoice, $1670.

" 9. Sold to Robert C. Dayton on %, 22 M xxx Shingles @ $3.75; 15 M Pine Siding @ $28.

" 10. Paid for carting lumber, $12.75.

May 11. Received for Cash sales, $148.65. Paid sundry expenses, $2.40.

" 13. Bought of H. G. Gray & Co. on %, Lumber per invoice, $835.90.

" 14. Sold to Alfred Tripp on %, 20 M Spruce Lumber @ $14.50; 12 M Laths @ $2.80.

" 16. Long & Willis have drawn a draft on us at 10 days' sight for $800, which we have accepted.

" 17. Received of Bell & Graham on %, their check on Sixth National Bank for $400.

" 18. Received for Cash sales, $218.50.

" 20. Robert Dayton has given us his note @ 30 days, to balance his account, $502.50.

" 21. Sold to Wm. Howard on %, 30 M No. 1 Fencing @ $11.50; 5 M Clapboards @ $45; 8 M xx Shingles @ $3.25.

" 22. Received of Alfred Tripp Cash on %, $150. Paid rent for May per check, $70.

" 23. Bought of Brown Bros. Lumber per invoice, $882.45. Gave in payment check for $282.45, and note @ 30 days for balance, $600.

" 24. Sold to Bell & Graham on %, 14 M Clear Pine Boards @ $32.

" 25. Sold for Cash 5 M Box Lumber @ $24, $120. Paid clerk hire, $30.

" 27. Paid per check our acceptance of the 16th in favor of Long & Willis, $800.

" 28. Bought for Cash a Fire-proof Safe, $225.

" 29. Sold to Robert C. Dayton on %, 12 M Hemlock Boards @ $11; 10 M Flooring @ $18.

" 30. Have drawn @ 10 days' sight a draft on Wm. Howard for balance of his account, $596, and sent same to H. G. Gray & Co. to apply on their account.

31. Received for Cash sales, $315.50. Paid clerk hire, $15; gas bill, $2.20.

Inventories: Lumber, $7312.50; Horses and Wagons, $850; Fire-proof Safe, $225. Net Gain, $242.55.

Set E

Partnership

Suggestion. It will be found convenient to keep a bill-book in connection with this set. Under bills receivable should be entered the note of May 20 (preceding set), and under bills payable the note of May 23d.

June 3. Philip Bruce and David Whitney have entered into partnership, per articles of agreement, to carry on the lumber business under the firm name of Bruce & Whitney, Bruce to share two-thirds and Whitney one-third of the gains or losses. Bruce brings into the business the resources and liabilities as shown in the statement of May 31. David Whitney invests Cash, $5000.

" 4. Bought of Long & Willis on %, Lumber per invoice, $1384.60. Paid rent for June, $70.

" 5. Sold to J. B. Sanford on %, 5 M Pine Boards @ $17; 8 M Flooring @ $18. Paid Globe Insurance Co. for insuring lumber to the value of $7000 @ 2½ %, $175.

" 6. Received for Cash sales of lumber, $327.40. Bought office furniture, $48.50, and paid for same per check.

" 7. Long & Willis have drawn a draft on us @ 10 days' sight for $750. Accepted same. Received of Robert C. Dayton his check on Merchants' National Bank for $200.

" 8. Received for Cash sales, $58.65. Paid for work in lumber yard, $14.

" 10. Sold to Alfred Tripp 8 M Sheathing @ $17.50; 3 M Clapboards @ $45; 6 M Scantling @ $11.50.

" 11. Received of Bell & Graham their note @ 30 days, in full of their account, $764. Philip Bruce has drawn Cash for private use, $150.

" 12. Received for Cash sales of lumber, $98. Paid for repairing wagon, $7.45.

" 13. The North National Bank has discounted for our accommodation Bell & Graham's note of the 11th

for $764. Discount off for 28 days, $3.56. the proceeds received in Cash, $760.44. ut

June 14. Sold to Robert C. Dayton 7 M Box Lumber @ $2 Received in payment Cash, $50; balance on % Paid gas bill, $3.20.

" 15. Gave to H. G. Gray & Co. our note @ 60 days to balance their account, $239.90. Received for Cash sales, $138.25.

" 17. Paid per check Long & Willis' draft of the 7th, $750, due this day.

" 18. Bought of Martin Rice Merchandise per invoice, $1262.50. Gave in payment check on North National Bank for $462.50, and note @ 60 days for balance, $800. Received for Cash sales of lumber, $82.40.

" 19. Received Cash, $502.50, in payment of Robert C. Dayton's note of May 20, due this day. Sold to Bell & Graham, 20 M xxx Shingles @ $3.75; 4 M Clapboards @ $45. Received in part payment Cash, $90; balance on %.

" 20. Have drawn a draft @ sight on J. B. Sanford for balance of his account, $229, and sent same to Long & Willis to apply on their account.

" 21. Prepaid our note of the 15th to H. G. Gray & Co. for $239.90. Discount off, $2.16. Net amount paid per check, $237.74.

" 22. Received for Cash sales of lumber, $234.50. Paid per check our note of May 23d to Brown Bros. for $600. Paid clerk hire, $16.

" 24. Received of Alfred Tripp Cash on %, $300.

" 25. Sold to J. B. Sanford on %, 10 M Spruce lumber @ $14.50. Paid for carting lumber, $6.80.

" 26. Prepaid our note to Martin Rice of the 18th, $800. Discount off for 52 days, $6.93. Net proceeds paid per check, $793.07.

" 27. Bought of H. G. Gray & Co. per invoice, $687.20. Gave in payment our note @ 30 days for $450; balance on %. David Whitney has drawn Cash for private use, $175.

...bert Dayton his note @ 60 days in full of ...t for $ 230, indorsed by B. F. Cunningham. ... for Cash sales, $ 547.80. Paid for work in ...er yard, $ 12.60.

... Merchandise, $8515; Horses and Wagons, $825: Safe ...urniture, $265. Net Gain, $163.18.

Set F

Manufacturing Set

In the following set an unusual number of secondary accounts are used. This is to enable the proprietor to determine, not only the cost of the raw material, but the expense incurred in the various stages of manufacture, till the product reaches a finished state and is placed in the sales-room.

The expense of the sales-room has been kept under the general expense account, while every expense connected with the manufacture of the article is entered as *Factory Expense*. It is true the merchandise account could have been debited for the entire expense, and eventually, when the secondary accounts are closed, it will show on the debit side the total cost; but by the use of other accounts the cost of the lumber, the cost of machinery, the amount paid for wages or services, and other incidental expenses of manufacturing, are conveniently shown under separate headings, and all this is accomplished without additional labor.

June 1. James C. Gilbert and W. H. King have entered into partnership for the purpose of manufacturing and selling furniture. The gains and losses are to be divided equally. James C. Gilbert invests Machinery valued at $ 8270; Lumber, $ 2150; Factory Stock (unfinished products), $ 1245; Merchandise (finished products), $ 3460. His liabilities are as follows: An account due E. F. Flint for $ 892.60, and his note to R. G. Holland for $ 1460, with accumulated inter-

est $4.14. W. H. King invests Cash equal to the net investment of J. C. Gilbert. Opened an account with First National Bank and deposited Cash on hand.

June 1. Leased the building occupied as a factory, for three years, agreeing to pay $1800 per annum, in equal monthly payments; paid rent for June per check, $150. (Factory Exp.)

" 1. Paid insurance for 6 months on Machinery, Lumber, and Factory Stock, $120. (Factory Exp.)

" 2. Bought of the Howard Machine Co., for Cash, 1 Circular Saw, $35.

" 2. Sold to Fisk & Jones, Cleveland, O., on %, Merchandise per bill, $1262.50.

" 2. Bought Lumber of Jenkins Bros. on %, $442.50.

" 3. Received of Fisk & Jones on %, $550.

" 3. Leased for one year, for sales-room, Store No. 324 Market Street, at a yearly rental of $1440. Paid rent for one month per check, $120. (Exp.)

" 4. Sold Merchandise to Samuel Gates, for Cash, $382.75.

" 4. Bought of T. H. Durant, Buffalo, on %, Oils and Varnishes, per bill, $326. (Factory Exp.)

" 4. Sold to Maxwell & Hill on %, Merchandise per S. B., $810.30.

" 5. Insured the Merchandise in sales-room to the amount of $5000. Paid premium per check, $62.50. (Exp.)

" 5. Drew on Fisk & Jones, at 10 days' sight, for balance of their account, $712.50.

" 6. Sold E. L. Kennedy on %, Merchandise per S. B., $615.80.

" 6. Fisk & Jones have this day accepted our draft of the 5th, drawn at 10 days' sight, for $712.50.

" 6. Drew check to pay workmen for week's wages, $160.

" 8. Bought on %, new machinery from the Evans Machine Co., $1325.

" 8. Received of E. L. Kennedy on %, his check for $300.

June 9. Paid per check Evans Machine Co., on %, $ 500.

" 9. Sold for Cash to Geo. Briggs Merchandise per bill, $ 231, less 5 %.

" 9. Accepted Jenkins Bros.' draft at 10 days' sight for balance of their account, $ 442.50.

" 10. We have this day paid per check James C. Gilbert's note to R. G. Holland for $ 1460, and interest on same, $ 6.33.

" 10. Sold to Fisk & Jones on %, Merchandise per S. B., $ 837.30.

" 11. Purchased for Cash a Safe to be used in sales-room, $ 242.50.

" 11. Accepted the Evans Machine Co.'s draft on us at 15 days' sight, for balance due them, $ 825.

" 11. W. H. King has drawn Cash for private use, $ 150.

" 12. Sold Merchandise to Wm. Cramp for Cash, $ 416.75.

" 12. Received of Maxwell & Hill on %, their check for $ 550.

" 13. Sold Merchandise to E. L. Kennedy on %, per S. B., $ 660.40.

" 13. Drew check to pay workmen for week's wages, $ 170.

" 13. Cash Sales of Merchandise, $ 776.90.

" 15. Paid T. H. Durant, Cash in full of %.

" 15. Bought Lumber from Jenkins Bros. on %, $ 612.30.

" 16. Sold Merchandise to E. G. Rand on 60 days' time, $ 1572.

" 16. Received of Fisk & Jones their check in payment of their acceptance of the 6th, $ 712.50.

" 16. Paid for postage and sundry expenses, $ 4.25.

" 17. Bought Oils and Varnishes of T. H. Durant on %, $ 162.

" 17. Paid for Coal for use in factory, $ 127.20.

" 18. Sold Merchandise to Chas. Hazard for Cash, $ 510.60.

" 18. E. G. Rand has paid his bill of the 16th, and is entitled to a discount of $ 15.72. Amount received, $ 1556.28.

" 18. Received of Maxwell & Hill their note at 30 days to balance their account, $ 260.30.

June 19. Bought of Evans Machine Co. on % new machinery per bill, $ 710.35.

" 19. Paid per check our acceptance of the 9th, being Jenkins Bros'. draft for $ 442.50.

" 20. Sold to E. G. Rand, on 60 days' time, Merchandise, $ 1042.

" 20. Received of Fisk & Jones Cash on %, $ 492.60.

" 20. Received for Cash sales, $ 614.45.

" 20. Paid workmen for week's wages, $ 170.

" 22. Bought for Cash an invoice of Beveled Mirrors, $ 278.50.*

" 22. Sold Merchandise to Frank Anson for Cash, $ 177.85.

" 23. Leased adjoining building for factory purposes, and equipped same with machinery and tools at a cost of $ 7253.70, which we have paid by check.

" 23. Received of E. L. Kennedy on % his sight draft on Warren & Co. for $ 250.

" 24. James C. Gilbert has drawn Cash for private use, $ 125.

" 24. Sold Merchandise to Maxwell and Hill on %, $ 341.55.

" 24. Bought for Cash an invoice of Hardware, $ 98.50.*

" 25. Bought Lumber of Jenkins Bros. on %, $ 350. Paid for hauling same, $ 16.50.

" 25. Paid for repairs on machinery, $ 32.60.

" 26. Sold Merchandise to Geo. Briggs for Cash, $ 420.70.

" 26. Paid our acceptance in favor of the Evans Machine Co. made on the 11th, $ 825.

" 27. Received of Fisk & Jones on %, $ 200.

" 27. Drew check to pay workmen for week's wages, $ 210.

Net Gain, $ 1938.99. For inventories see trial balance, next page. Instead of closing the secondary accounts into loss and gain, they may all be closed into Merchandise, so that this account will show on the debit side the cost of manufacture, as well as the net gain.

* Factory expense.

Trial Balance, Set F		*Dr.*		*Cr.*	
James C. Gilbert	(Propr.),	125	00	12768	26
W. H. King	(Propr.),	150	00	12768	26
Machinery	(Invy., 17200),	17626	65		
Lumber	(Invy., 900),	3571	30		
Factory Stock	(Invy., 1000),	1245	00		
Merchandise	(Invy., 400),	3460	00	10661	30
E. F. Flint,				892	60
Interest and Discount,		22	05	4	14
Factory Expenses	(Prepaid Ins., 100),	1262	20		
Services,		710	00		
Maxwell & Hill,		1151	85	810	30
E. L. Kennedy,		1276	20	550	00
Bills Receivable,		972	80	712	50
Evans Machine Co.,		1325	00	2035	35
Cash,		20899	09	13086	08
Expense,		429	25		
Fisk & Jones,		2099	80	1955	10
Jenkins Bros.,		442	50	1404	80
T. H. Durant,		326	00	488	00
E. G. Rand,		2614	00	1572	00
		59708	69	59708	69

Examination Paper

(Selected questions from Regents' Examination.)

1. Journalize the following for double entry: Sept. 1, 189–. James Kent and Henry Abrams form a partnership. Kent invests Cash, $ 3000; Merchandise, $ 1500; note against John Cramer, $ 500. Abrams invests Cash, $ 5000.

2. Oct. 2, 189–. Bought of James Ives bill of Merchandise amounting to $ 500, for which I paid one-half in Cash, the balance on account.

3. Oct. 5, 189–. Paid the account of James Ives in Cash, being allowed a discount of 2 %.

4. Oct. 6, 189–. Sold James Fisk Merchandise for Cash, $ 326; bought of James Fisk Merchandise on %, $ 280.

5. Oct. 10, 189–. James Fisk has made a 10 days' sight draft on us in favor of James Ives for $ 55, which sight draft we have accepted.

6. Write the draft referred to in the transaction of Oct. 10 with the acceptance.

7. Write a promissory note dated to-day for $ 350 at 90 days with 6% interest, of which you are the maker, and Wm. Rees the payee.

8. Define account, posting, trial balance, liability, present worth.

9. State the special use of each of the following books: Cash-book, sales-book, time-book, order-book, bank-book.

10. Indicate the form and state the advantages of a special-column journal.

11. Show the difference between double entry and single entry by posting the following according to each method: Sold James Spencer on % Merchandise amounting to $ 25; bought of Wm. Avery Merchandise amounting to $ 50, one-half for Cash, the balance on account.

12. Describe two methods of finding from a double-entry ledger the net gain or net loss after inventory has been taken and entered.

13. Write a bank check.

14. Give directions for closing a double-entry ledger, stating how to find from the ledger resources, liabilities, present worth, and net gain or loss.

15. Find from the following ledger footings the proprietor's net gain or loss:

	Dr.	*Cr.*
Proprietor,	3000	5000
Merchandise,	12482	11597
Cash,	15865	12410
Bills Payable,	2500	3000
Bills Receivable,	3000	2500
Loss and Gain,	400	240
Interest and Discount,	50	82
William Haskell,	627	500
James Stuart,	300	2795
Expense,		100
Inventory shows Merchandise on hand worth $ 3542.		

VALUABLE COMMERCIAL INFORMATION

Contracts

Ignorance of the law excuses no one.

A **contract** is an agreement between competent parties to do some particular thing.

Persons of unsound mind, and, in most cases, minors, are incompetent to make contracts.

Intoxicated persons, who have lost for a time the use of their reason, are unable to make binding contracts, except for necessaries.

A contract, to be binding, must have a sufficient consideration. A promise, therefore, although in writing, to give money, or property, to another, cannot be enforced if there has been no consideration, or value received.

Consideration is what is done, or promised to be done, in exchange for a promise, and it is sufficient if it is either a benefit to the party promising, or a loss to the other party.

Contracts are either oral or written.

Generally contracts are binding although not in writing, but in the following cases they must be in writing, or they cannot be enforced: **1st.** A promise to pay the debt of another person. **2d.** A contract which is not to be performed, or at least commenced, within a year. **3d.** A contract for the sale of real estate, and **4th.** An agreement to sell personal property above a certain value ($50) unless some part has been delivered or paid for.

The writing need not be formal, but should embody the substance of the contract, mention the consideration, and be signed by the parties.

An agreement which one has been induced to make through fraud or deceit is not binding.

Mistakes in calculation, or misunderstanding of the meaning of words, will not release a party to a contract.

Contracts made on Sunday, except such as relate to works of necessity and mercy, are void in most of the states.

A minor can make a contract only for necessaries.

Signatures made in lead pencil are binding.

A receipt for money paid, if disputed, is not conclusive in law.

Sale of Property

A **sale** is an exchange of property for money.

A contract to sell, although binding, is not a sale; for in an actual sale the ownership changes immediately, although the property may not be delivered at once.

When goods are purchased to-day to be delivered to-morrow, the purchaser bears the loss in case of fire.

No person can make a valid sale of property except the owner, or his agent; hence the real owner may claim his property wherever he may find it, no matter how many hands it may have passed through since it was lost or stolen.

Partnership

A partnership is formed by an agreement, or contract, which may be oral or written.

Any one competent to make a contract, or do business alone, may become a partner.

One partner by his act may bind all the others.

Each partner is liable for the entire debt of the firm.

By complying with certain laws a limited partnership may be formed, in which the liability of certain partners is limited to the amount invested in the partnership business.

The death of one partner dissolves a general partnership.

A partner may sell his interest, but the purchaser does not become a partner without the consent of the others.

Agency

An **agent** is one employed to act for another.

A minor, or any one having sufficient understanding, may become an agent.

The **principal** is the one for whom the agent acts, and is therefore responsible so long as the agent acts within his authority.

When the agent's acts exceed his authority, then the agent and not the principal is responsible.

Any contract that may be made by the principal may be made through the agent.

Agency is created by contract, and the law implies that the agent will obey his principal's instructions; that he will exercise reasonable skill and care; and that he will not engage in transactions which will conflict with the interests of his principal.

Money

Money in the United States consists of gold, silver, and paper currency. The paper currency, or paper money, includes United States Notes, National Bank Notes, Gold Certificates, and Silver Certificates.

A **United States Note** (Treasury Note) is the printed promise of the United States government to pay a certain sum in coin.

The **National Bank Note** is a printed promise to pay issued by a National Bank. The payment of such notes is pledged by United States bonds deposited with the United States Treasurer.

Gold Certificates certify that a certain amount of gold has been deposited with the United States Treasurer, payable to the bearer on demand.

Silver Certificates are similar to gold certificates in form, but call for the payment of silver instead of gold.

A **legal tender** is that kind of money which may be legally tendered or offered in payment of a debt.

Gold Certificates, Silver Certificates, and National Bank Notes are not legal tenders, and a person who is so disposed may refuse to receive in payment every kind of money except gold, silver, and United States Notes.

Collecting Money

Lack of promptness in making out bills and presenting them for payment causes the loss of thousands of dollars to creditors. A business man, successful in collecting money due him, gives the following rules :

1. When a time and place have been appointed for payment, be on hand promptly to receive the money.
2. If the party cannot pay at the time appointed, request him to fix another date for payment.
3. State the urgent necessity of having funds to meet current expenses or pressing obligations, and bear in mind that pleasant words and a frank, genial manner will accomplish more than threats.
4. If he cannot pay all, accept a part, and obtain, if possible, his note for the balance.
5. If his commercial standing is not good, induce him to give his note with a good indorser, so that you may obtain the money through the bank.
6. In pressing your claims, take into account the character of the man and his financial condition.

List Prices

List prices are generally furnished to the customers by wholesale dealers, and are supposed to show the price at which the goods retail. On these prices large discounts are given, called trade discounts. Frequently two or more discounts are allowed in succession ; 20 and 10 off means first a discount of 20 %, and then another discount of 10 %.

The bill-heads usually announce the terms on which the goods are sold; thus, Terms, 3 months, or 30 days less 5 %; or, Terms, 60 days, or 2 % discount in 10 days.

Marking Prices

Merchants generally use letters or a private cipher to mark the cost or selling price of an article. A word, or

combination of words, consisting of ten letters will answer the purpose. Thus, B L A C K S T O N E
1 2 3 4 5 6 7 8 9 0

By this key 120 would be expressed thus, B L E.

Reckoning Interest

The interest for 6 days at 6 % on any amount may be found by moving the decimal point three places to the left. Thus, the interest for 6 days on $2460 is $2.46. To obtain the interest for the desired time, divide by 6 and multiply by the number of days.

When the interest is at any rate other than 6 %, divide the interest already obtained by 6 and multiply by the rate desired.

Review

Contracts

1. Does ignorance of the law excuse any one?
2. What is a contract?
3. Mention two classes of persons not competent to make a contract.
4. Is the contract of a person slightly intoxicated binding?
5. Is a contract, although in writing, binding if there is no consideration?
6. What is meant by consideration?
7. Are contracts generally binding although not in writing?
8. Mention two or more cases in which the contract must be in writing to be enforced in law.
9. When the law requires the contract to be in writing, what essentials should be stated?
10. Is it necessary for the writing to be formal?
11. Is an agreement binding which a person has been induced to make through fraud or deceit?
12. Will a miscalculation or a misunderstanding of the meaning of words be sufficient to release a party to a contract?
13. Are contracts made on Sunday binding?
14. For what things can a minor make a contract that will bind him?
15. Is a signature made with lead pencil good in law?

Sale

1. What is sale?
2. How does a contract to sell differ from an actual sale?
3. When goods have been purchased, but not delivered, does the purchaser or seller sustain the loss in case of fire?
4. May the owner of lost or stolen property claim it from one who has possession, and is able to show he paid for same?

Agency

1. What is meant by an agent?
2. May a minor, or any one having sufficient understanding, become an agent?
3. What is meant by a principal?
4. When an agent exceeds his authority, who is responsible?
5. When a person undertakes to act as an agent, what three things does the law imply that he will do?

Partnership

1. How may a partnership be formed?
2. Who may become a partner?
3. Is it necessary that the contract of partnership be in writing?
4. May one partner bind all the others?
5. What is the liability of each partner?
6. What is meant by a limited partnership?
7. Mention one or more ways by which a partnership may be dissolved.
8. When a partner sells his interest, does the purchaser necessarily become a partner without the consent of the other partners?

Supplemental Review

Commercial Paper

1. May the indorser of a note be held responsible if the note has not been duly protested?
2. What are the two essential things to be done in protesting a note?
3. Are the words "value received" generally necessary to make a note negotiable?

4. What is meant by Notary Public? (See Vocabulary.)

5. Is the maker of a note released from payment if the note has not been protested?

6. If a note has not been collected within five or six years after maturity, may the maker still be compelled to pay? (If partly paid, the remainder will not be outlawed till the expiration of five or six years from the time of the last payment.)

7. Does a note ordinarily draw interest from its date or from maturity?

8. Name one or more states in which days of grace are abolished.

9. With what words does a sight draft usually begin?

10. Illustrate the use of a draft.

11. May the drawer and payee of a draft be one and the same person? Illustrate.

12. What is a bill of exchange?

13. Does the law permit a person who receives a check, note, or draft indorsed in blank to add such words as will make it an indorsement in full? Illustrate.

14. Under what account are checks and sight drafts recorded?

15. Under what account are notes and time drafts recorded?

16. When should a check be presented to the bank for payment?

17. How should a check be written so that it may afterwards serve as a receipt?

18. What do you understand by a draft on New York?

APPENDIX

CONTAINING

ADDITIONAL SETS FOR PRACTICE

WITH

VARIOUS AUXILIARY BOOKS

SET G

Retail Dry-Goods Business

In this example a larger number of books of original entry have been used than in any preceding set, but this does not imply that the book-keeper's labor has been increased accordingly. The transactions have been merely divided, and entries made in appropriate books in an eminently practical manner.

By slight changes in the forms, or by adding other books, this set may be adapted to many other lines of business.

The proprietor, or book-keeper, must, after all, determine the number and character of his auxiliary books, and if he thoroughly understands double entry, he will readily devise a plan by which the necessary details and results will be shown with the smallest expenditure of labor.

The auxiliary books used in this example — the cash-book, sales-book, and explanatory journal — have been repeatedly illustrated in both single and double entry. The only thing remaining unexplained is the process of posting from each of these books.

Explanation

The cash-book, sales-book, and journal are used as books of original entry, from which the amounts are posted directly to the ledger at the end of each week. In actual business they should be posted at the end of each day.

The **Sales-Book** has been used in this example for time sales only, as all cash sales have been entered in the cash-book. The sales-book is posted as follows: On page 195 will be

found the total sales of the week, $436.30. This amount should be posted to the credit side of the merchandise account in the ledger. As an offset to this credit, the persons to whom Merchandise was sold should be debited; thus, Edgar Newman, S. C. Sherman, and Chas. W. Foster should each be debited for the amount of their purchases. When the sale is on a note, Bills Receivable should be debited, as on the 5th and 7th. These debits added will, of course, equal the amount with which Merchandise was first credited, and the ledger is thus kept in balance.

The **Cash-Book** is of the usual form, and contains transactions which do not appear in either the sales-book or journal. At the end of each week it is posted in the following manner: In the cash-book, page 196, on the debit side will be found $8520.15, the total receipts for the week. This amount is posted to the debit side of the cash account in the ledger. Now we must find a credit or credits which will offset this debit. On the debit side of the cash-book we shall find the names of the accounts which should be credited. They are Walter Sprague, James Marshall, Bills Receivable, Edgar Newman, and Merchandise, each for the amount opposite the name. These credits, of course, equal the amount for which cash was first debited.

In like manner the credit side of the cash-book is posted. The amount, $1059, the total payments of the week, is posted to the credit side of the cash account in the ledger. Now, to find the accounts which shall be debited to offset this large credit, we look at the credit side of the cash-book. Expense, James A. Morton, Store Fixtures, and Expense should each be debited for their respective amounts, and this will produce equal debits and credits in the ledger. The transactions for this example may be found on page 198.

Journal

New York, Jan. 2, 189–

		Dr.		*Cr.*	
	Merchandise, per inventory,	9800	00		
	Bills Receivable,	3780	00		
	Store Fixtures, per inventory,	1120	00		
	Walter Marshall, due on %,	460	00		
	James A. Morton, on %,			570	00
	Geo. Thomas & Son, on %,			820	00
	Walter Sprague, proprietor,			13770	00
	Began business with cash on hand per C. B. $6000 and the above resources and liabilities. Bills Receivable includes Thomas Brower's note for $1780, J. C. Emery's note for $1000, and B. H. Crandall's note for $1000.				
	3				
	Merchandise,	3254	50		
	Hunter & Logan,			3254	50
	Bought on % per I. B.				
	5				
	Merchandise,	1825	80		
	Bills Payable,			1825	80
	Bought of Gilbert & Co. on note @ 30 days.				
	7				
	Hunter & Logan,	500	00		
	Bills Payable,			500	00
	Hunter & Logan have drawn on us @ 12 days' sight, favor of James Bardwell.				
	10				
	Hunter & Logan,	310	00		
	Walter Marshall,			310	00
	Drew a sight draft on Marshall and remitted same to Hunter & Logan on %.				
	13				
	Shipment to S. W. Hall,	1390	00		
	Merchandise,			1390	00
	Damaged goods to be sold on our %. Paid freight and cartage per C. B.				

The journal is required only for those transactions which cannot be entered in either the cash-book or sales-book.

Like the other books, it is posted at the end of the week, and in the ordinary way.

Sales-Book

New York, Jan. 2, 189–

Edgar Newman,		On %.				
2 prs. California Blankets	@ $8.75,		17	50		
2 Marseilles Bedspreads	@ 5.00,		10	00		
6 Linen Sheets	@ 2.00,		12	00		
3 prs. Pillow Cases	@ 1.10,		3	30	42	80
4						
S. C. Sherman,		On %.				
18 yds. Black Silk	@ $2.20,		39	60		
9 yds. French Crepon	@ 2.75,		24	75		
6 prs. Kid Gloves	@ 1.75,		10	50	74	85
5						
Bills Receivable.	Note @ 5 days.					
Sold to W. C. Irving						
1 Table-cloth and Napkins,			27	50		
1 Chinchilla Coat,			45	00		
1 Black Serge Suit,			38	75		
1 Silk Umbrella,			7	25	118	50
6						
Chas. W. Foster,		On %.				
3 prs. Lace Curtains	@ $9.50,		28	50		
2 prs. Silk Portières	@ 17.50,		35	00		
1 Astrakhan Cape,			42	00	105	50
7						
Bills Receivable.	Note @ 20 days.					
Sold to L. A. Jordan						
8 yds. Blue Broadcloth	@ $2.35,		18	80		
5 yds. Jet Trimming	@ 2.75,		13	75		
3 yds. Silk Lace	@ 1.95,		5	85		
15 yds. Black Silk Velvet	@ 3.75,		56	25	94	65
					436	30

Cash-Book

Dr.

Date	L.P.	Accounts to be Credited		Items		Totals	
Jan. 2		Walter Sprague,	Proprietor,	6000	00		
" 3		Walter Marshall,	on %,	150	00		
" 4		Bills Receivable,	J. C. Emery's note	1000	00		
" 6		Edgar Newman,	in full of %,	42	80		
" 7		Merchandise,	cash sales,	1327	35	8520	15
						*8520	15
Jan. 9			Balance,			7461	15
" 10		Bills Receivable,	W. C. Irving's note,	118	50		
" 12		S. C. Sherman,	on %,	25	00		
" 14		Merchandise,	cash sales,	1422	90	1566	40
						9027	55
Jan. 16			Balance,			8393	80
" 17		Bills Receivable,	Thos. Brower's note,	1780	00		
" 17		Interest,	on above,	2	08		
" 20		S. C. Sherman,	on %,	50	00		
" 21		Merchandise,	cash sales,	1532	74	3364	82
						11758	62

* **Suggestion.** To simplify this practical method of posting from the cash-book, enter on a slip of journal paper first the total cash debit, $8520.15, then the credits, Sprague, $6000; Marshall, $150; Bills Receivable, $1000; Newman, $42.80; Merchandise, $1327.35.

Cash-Book

Cr.

Date	L.P.	Accounts to be Debited		Items		Totals	
Jan. 2		Expense,	rent for Jan. and Feb.,	400	00		
" 4		James A. Morton,	on %,	350	00		
5		Store Fixtures,	counters and show-case,	278	50		
" 6		Expense,	insurance,	30	50	*1059	00
" 7		Balance,	on hand,			7461	15
						8520	15
Jan. 11		Expense,	coal, 5 tons,	27	50		
" 13		Geo. Thomas & Son,	on %,	575	00		
" 13		Shipment to S. W. Hall,	freight and cartage,	31	25	633	75
" 14		Balance,	on hand,			8393	80
						9027	55
Jan. 16		Expense,	clerk hire,	42	00		
" 19		Bills Payable,	our acceptance of the 7th,	500	00	542	00
" 21		Balance,	on hand,			11216	62
						11758	62

* In posting this side, credit Cash for $1059 and debit Expense $400; Morton, $350; Store Fixtures, $278.50; and Expense, $30.50.

Transactions for Set G

Albany, Jan. 2, 189–. Walter Sprague began the Retail Dry-Goods business with the following resources and liabilities: — Resources: Cash on hand, $6000; Merchandise valued at $9800; Store Fixtures valued at $1120; Thomas Brower's note for $1780, due Jan. 10, indorsed by Geo. Davis; J. C. Emery's note for $1000, due Jan. 4; B. H. Crandall's note of $1000, due Feb. 6; Walter Marshall owes him on %, $460. His liabilities are as follows: He owes James A. Morton, $570; Geo. Thomas & Son, $820.

Jan. 2. Deposited Cash on hand in City Bank. (No account with the bank will be kept in the ledger.)

" 2. Leased store for two years, at a yearly rental of $2400. Paid two months' rent in advance, $400.

" 2. Sold Edgar Newman on %, 2 prs. California Blankets @ $8.75, $17.50; 2 Marseilles Bedspreads @ $5, $10; 6 Linen Sheets @ $2, $12; 3 prs. Pillow Cases @ $1.10, $3.30. Total, $42.80.

" 3. Bought of Hunter & Logan on %, Merchandise per invoice, $3254.50.

" 3. Received of Walter Marshall on %, $150.

" 4. Sold S. C. Sherman on %, 18 yds. Black Silk @ $2.20, $39.60; 9 yds. French Crepon @ $2.75, $24.75; 6 prs. Kid Gloves @ $1.75, $10.50. Total, $74.85.

" 4. J. C. Emery has paid his note, due this day, by check on Columbia Bank, $1000.

" 4. Paid James A. Morton Cash on %, $350.

" 5. Bought Merchandise per invoice of Gilbert & Co., on our note @ 30 days, $1825.80.

" 5. Bought for Cash, Store Fixtures, Counters, and Showcase, $278.50.

" 5. Sold W. C. Irving on his note @ 5 days: 1 Table-cloth and Napkins, $27.50; 1 Chinchilla Coat, $45; 1 Black Serge Suit, $38.75; 1 Silk Umbrella, $7.25. Total, $118.50.

" 6. Received of Edgar Newman, Cash in full of his account, $42.80.

Jan. 6. Paid Cash for Insurance on Merchandise and Store Fixtures, $30.50.

" 6. Sold Chas. W. Foster on %, 3 prs. Lace Curtains @ $9.50, $28.50; 2 prs. Silk Portières @ $17.50, $35; 1 Astrakhan Cape, $42. Total, $105.50.

" 7. Hunter & Logan have drawn on us @ 12 days' sight in favor of James Bardwell for $500, which we have accepted.

" 7. Sold to L. A. Jordan on note @ 20 days, 8 yds. Broadcloth @ $2.35, $18.80; 5 yds. Jet Trimmings @ $2.75, $13.75; 3 yds. Silk Lace @ $1.95, $5.85; 15 yds. Black Silk Velvet @ $3.75, $56.25. Total, $94.65.

" 7. Total Cash sales of Merchandise, $1327.35.

Second Week

Jan. 9. Sold to S. C. Sherman on %, 12 Damask Towels @ 65c., $7.80; 20 yds. Linen Crash @ 15c., $3.00; 1 Velour Cape, $18.75; 1 Silk Scarf, $4.85. Total, $34.40.

" 10. W. C. Irving has paid his note of the 5th, due this day, $118.50.

" 10. Have drawn a sight draft on Walter Marshall for balance of his account, $310, and sent same to Hunter & Logan to apply on their account.

" 11. Sold Chas. W. Foster on %, 1 Down Quilt, $5.80; 2 White Bed-spreads @ $3.25, $6.50; 30 yds. Sheeting @ 27c., $8.10; 12 yds. Shaker Flannel @ 35c., $4.20. Total, $24.60.

" 11. Paid per check J. Hutton's bill for Coal, 5 tons @ $5.50, $27.50.

" 12. Sold to Frank Norton on his note @ 30 days: 1 Damask Table-cloth, $10.50; 1 Silk Waist, $7.80; 1 Fur Collar and Muff, $28.50; 15 yds. Figured Silk @ $1.35, $20.25. Total, $67.05.

" 12. Received of S. C. Sherman on %, $25.

" 13. Paid Geo. Thomas & Son on %, $575.

Jan. 13. Shipped to S. W. Hall, Philadelphia, to be sold at auction, a stock of damaged Merchandise, valued @ $1390. Paid freight and cartage, $31.25.

" 14. Sold to Edgar Newman on %, 12 Linen Handkerchiefs @ 50c., $6.00; 14 yds. Scotch Gingham @ 27c., $3.78; 10 yds. Dotted Swiss @ 55c., $5.50; 5 yds. Irish Point Lace @ $1.38, $6.90; 16 yds. French Creton @ 15c., $2.40. Total, $24.58.

" 14. Total Cash sales of Merchandise, $1422.90.

Third Week

" 16. Sold Louis Allerton on %, 10 yds. Linen @ 75c., $7.50; 6 Turkish Towels @ 50c., $3.00; 12 yds. Black Broadcloth @ $2.10, $25.20; 1 Silk Umbrella, $5.70. Total, $41.40.

" 16. Paid clerk hire, $42.

" 17. Thomas Brower has paid his note due on the 10th with interest. Note, $1780; Interest, $2.08.

" 18. Sold A. W. Blair on his note @ 30 days, 8 prs. Sash Curtains @ $2.15, $17.20; 6 yds. Brocatelle @ $4.75, $28.50; 2 prs. Gray Blankets @ $7, $14.00. Total, $59.70.

" 18. Have drawn on Chas. A. Foster at 10 days, favor of Hunter & Logan, for $120.

" 19. Paid our acceptance of the 7th at 12 days' sight, being Hunter & Logan's draft on us for $500.

" 20. S. C. Sherman paid us Cash on %, $50.

" 21. Sold S. C. Sherman on %, 18 yds. Cream White Satin @ $1.50, $27; 5 yds. Pearl Trimming @ $3, $15; 7 yds. Silk Lace @ $2.75, $19.25; 6 prs. Kid Gloves @ $1.85, $11.10; 2 Lace Handkerchiefs @ $4.90, $9.80. Total, $82.15.

" 21. Total Cash sales of Merchandise, $1532.74.

Fourth Week

Jan. 23. Sold Chas. W. Foster on %, 9 yds. French Serge @ $1.78, $16.02; 2 Damask Table-cloths @ $9.25, $18.50. Total, $34.52.

Jan. 24. Discounted our note of the 5th to Gilbert & Co. for $1825.80. Discount, $3.35. Net proceeds paid in Cash, $1822.45.*

" 24. Accepted Geo. Thomas & Son's draft on us @ 10 days for balance of their account, $245, in favor of Robert Maxwell.

" 25. Sold Louis Allerton on %, 17 yds. Black Satin @ $1.60, $27.20; 8 yds. Black Silk Lace @ $1.80, $14.40; 10 yds. Satin Ribbon @ 35c., $3.50; 6 Linen Handkerchiefs @ 37c., $2.22. Total, $47.32.

" 25. Paid Hunter & Logan on %, $2150.

" 26. Received of Louis Allerton on %, $35.

" 27. Bought Merchandise per invoice of Hunter & Logan on %, $627.55.

" 27. L. A. Jordan has paid his note, due to-day, $94.65.

" 28. Sold Edgar Newman on %, 2 doz. Dinner Napkins @ $4.20, $8.40; 20 yds. Sheeting @ 29c., $5.80; 4 Turkish Towels @ 48c., $1.92; 1 Turkish Bath Robe, $6.75; 18 yds. Linen Crash @ 19c., $3.42. Total, $26.29. Received in part payment, $15.

" 28. S. W. Hall has rendered account sales of goods shipped for auction on the 13th. Our net proceeds, $1288.25, have been remitted to us by check.

" 28. Paid clerk hire, $21.

" 28. Total Cash sales of Merchandise, $1874.95.

Inventories: Merchandise, $7780; Store Fixtures, $1398.50; Rent in advance, $200. Net Gain, $249.83.

* In cash book enter on credit side $1825.80, with explanation "Bills Receivable." On debit side make a counter entry of $3.35, with explanation "Discount."

Trial Balance. Set G		*Dr.*		*Cr.*	
Proprietor	(Walter Sprague),			19770	00
Cash,		16762	57	6231	55
Bills Receivable,		4119	90	2993	15
Bills Payable,		2325	80	2570	80
Interest and Discount,				5	43
Store Fixtures	(Inv. $ 1398.50),	1398	50		
Walter Marshall,		460	00	460	00
James A. Morton,		350	00	570	00
Geo. Thomas & Son,		820	00	820	00
Hunter & Logan,		3080	00	3882	05
Merchandise	(Inv. $ 7780),	15507	85	8426	25
Edgar Newman,		93	67	57	80
S. C. Sherman,		191	40	75	00
Chas. W. Foster,		164	62	120	00
Expense	(prepaid rent, $ 200),	521	00		
Shipment to S. W. Hall,		1421	25	1288	25
Louis Allerton,		88	72	35	00
		47305	28	47305	28

Set H

(This is a continuation of the same business, and the same books are to be used as in Set G)

Feb. 1. Walter Sprague and Frank Bradley have entered into partnership by articles of agreement signed this day. The name of the firm is Sprague & Bradley. The gains and losses are to be divided equally. Mr. Sprague brings into the business the resources and liabilities of the preceding set, viz., Resources: Merchandise valued at $ 7780; Cash in safe and in bank, $ 10531.02; B. H. Crandall's note for $ 1000, due Feb. 6; Frank Norton's note for $ 67.05, due Feb. 11; A. W. Blair's note for $ 59.70 due Feb. 17; Prepaid Rent (expense), $ 200; Store Fixtures, $ 1398.50; and the following accounts, — Edgar Newman, $ 35.87; S. C. Sherman, $ 116.40; C. W. Foster, $ 44.62; Louis Allerton, $ 53.72. Liabilities: Bills Payable (his acceptance favor of Robert Maxwell), $ 245, due Feb. 3, and the following accounts, — James A. Morton, $ 220, and Hunter & Logan, $ 802.05.

Feb. 1. Mr. Bradley invests Cash, $20019.83, equal to net investment of Mr. Sprague, and the business is to be enlarged by adding the Carpet and House Furnishing Department.

" 1. Opened an account with Columbia Bank, and deposited Cash on hand. (No account will be kept in ledger with bank.)

" 1. Bought a stock of Carpets of Adams & Elder on %, per invoice, $8250.

" 1. Bought for Cash two Delivery Wagons and three Horses, $775.

" 1. Sold to Robert Cornell on %, 60 yds. Moquette Carpet @ $1.75; 78 yds. Body Brussels @ $1.35; 27 yds. Velvet Stair Carpet @ $1.45.

" 2. Sold Edgar Newman on %, 1 Plush Double Cape @ $18; 17½ yds. Duchess Silk @ $1.18; 6 Jet Ornaments @ $2.10.

" 2. Paid carpenters for shelving and general repairs, $78.45.

" 3. Accepted Adams & Elder's draft on us at 5 days, favor of John Morrison, for $4500.

" 3. Chas. W. Foster has given us his note at 10 days, indorsed by A. W. Green, in full of his account, $44.62.

" 3. Paid our acceptance of Jan. 24 in favor Geo. Thomas & Son, $245.

" 4. Sold to Alexander Woodward on %, 52 yds. Ingrain Carpet @ 97c.; 2 rolls Fancy Matting @ $7.25; 1 Smyrna Rug, $37; 2 Hassocks @ $1.25.

" 4. S. C. Sherman paid us Cash on %, $50.

" 4. Total Cash sales, $2521.40.

Second Week

Feb. 6. B. H. Crandall has paid his note of $1000 due to-day.

" 6. Engaged two additional salesmen at a salary of $25 per week.

" 6. Sold S. C. Sherman on %, 1 Seal Jacket @ $135; 1 Serge Suit, $42.50.

" 6. Bought for Cash of J. P. Smith, Merchandise per invoice, $9650.

Feb. 7. We have loaned to Nathan Wilder on his note @ 30 days, indorsed by H. Brown & Co., $7500.

" 7. Accepted Hunter & Logan's draft @ 3 days for balance of account, $802.05.

" 7. Received of Louis Allerton on % his check for $30.

" 8. Sold Merchandise to Joseph Baird on his note @ 20 days: 12 yds. Linoleum @ 95c.; 52 yds. Velvet Carpet @ $1.65; 23 Window Shades @ 98c.

" 8. Paid our acceptance of the 3d favor of Adams & Elder by check, $4500.

" 9. Bought Merchandise per invoice of Hunter & Logan on %, $2856.40.

" 9. Received of Alexander Woodward Cash on %, $75.

" 10. Sold Louis Allerton on %, 1 Art Square (3 × 3), $10.50; 2 Japanese Rugs (7 × 9) @ $14.55; 2 Cocoa Door Mats @ $2.15; 25 yds. Matting @ 37c.

" 10. Paid our acceptance in favor of Hunter & Logan due this day, $802.05.

" 11. Sold Edward Lawson on %, 1 White Embroidered Robe @ $18; 20 yds. China Silk @ $1.15.

" 11. Paid clerks' salary, $85.

" 11. Total Cash sales, $2624.55.

Third Week

Feb. 13. Sold Robert Cornell on %, 7 yds. Wool Crepon @ $1.35; 1 Misses' Short Coat, $12.50; 1 Bath Robe, $7.25; 6 Turkish Towels @ 57c.

" 13. Received of Chas. W. Foster Cash in payment of his note due this day, $44.62.

" 14. Have drawn on S. C. Sherman @ 10 days' sight for $220, and sent same to James A. Morton to balance his account.

" 14. Shipped to S. W. Hall, Philadelphia, a stock of unsalable goods, valued at $1290, to be sold at auction. Paid freight on same, $16.40.

" 15. Sold Merchandise to John Decker on his note @ 5 days: 83 yds. Moquette Carpet @ $1.55; 68 yds. Body Brussels @ $1.27; 10 yds. English Oil Cloth @ 88c.

" 15. Paid Hunter & Logan on %, $1000.

Feb. 15. Gave to Columbia Bank for collection A. W. Blair's note of Jan. 18.

" 16. Walter Sprague has drawn Cash for private use, $350.

" 17. Received of Robert Cornell on % his check on Union Bank for $100.

" 17. The Columbia Bank has collected amount due on A. W. Blair's note, $59.70, and placed the same to our credit in bank.

" 18. Sold Merchandise to Chas. W. Foster on %: 2 rolls Matting @ $7.55; 3 Smyrna Rugs (4 × 3) @ $5.20; 2 Japanese Rugs (4 × 6) @ $4.45; 1 Hair Rug $9.50.

" 18. Paid clerks' salary, $85.

" 18. Total Cash sales, $2710.40.

Fourth Week

Feb. 20. Sold Alexander Woodward on %, 4 prs. Irish Point Curtains @ $10; 2 doz. Dinner Napkins @ $5.30; 6 Linen Sheets @ $2.25.

" 20. John Decker paid his note due this day, $223.81.

" 21. Frank Bradley has drawn for private use, $275.

" 21. Paid for advertising, $26.75.

" 22. Sold to A. W. Nilsen on his note @ 60 days, 94 yds. Wilton Carpet @ $1.57; 2 prs. Raw Silk Portières @ $28.50.

" 22. Accepted Hunter & Logan's draft on us @ 10 days favor of John Coster, for $500.

" 22. Sold Merchandise to Edward Lawson on %: 1 Damask Table-cloth @ $14; 12 Linen Towels @ 45c.; 12 Linen Handkerchiefs @ 50c.; 6 prs. Kid Gloves @ $1.75.

" 23. Nathan Wilder has prepaid his note of the 7th, face of note, $7500; discount, $11.25. Received net proceeds in Cash, $7488.75.

" 24. S. W. Hall has rendered account sale of goods shipped to him on the 14th, and remitted to us by check on Fourth National Bank, $1357.80.

" 24. Gave Adams & Elder our note @ 5 days to balance account, $3750.

Feb. 25. Sold Merchandise to S. C. Sherman on %, 52 yds. Body Brussels @ $1.17; 37 yds. Stair Carpet @ $1.17.

" 25. Paid clerks' salary, $85.

" 25. Total Cash sales, $2823.45.

Inventories: Merchandise, $16200; Store Fixtures, $1398.50; Horses and Wagons, $725. Net Gain, $574.12.

Trial Balance, Set H		*Dr.*		*Cr.*	
Walter Sprague,	Proprietor,	350		20019	83
Frank Bradley,	"	275		20019	83
Cash,		51671	58	25484	90
Bills Receivable,		9219	50	8828	13
Bills Payable,		5547	05	9797	05
Interest and Discount,		11	25		
Store Fixtures	(Inv. $1398.50),	1398	50		
Hunter & Logan,		2302	05	3658	45
Edgar Newman,		87	12		
Merchandise	($16,200 unsold),	28536	40	13480	57
S. C. Sherman,		398	03	270	00
Chas. Foster,		93	72	44	62
Expense	(Inv. $725),	1335	20		
Louis Allerton,		106	87	30	00
Robert Cornell,		282	07	100	00
Alexander Woodward,		168	54	75	00
Edward Lawson,		76	90		
Shipment to S. W. Hall,		1306	40	1357	80
		103166	18	103166	18

Set I

Commission and General Merchandise Business

Illustrating the Commission Sales-Book

Consignment or **Sales** is a ledger title used to represent goods which are received and sold for another. The person who receives or sells the goods is called the **consignee.** The one who consigns or ships the goods is the **consignor.**

To distinguish the different consignments or sales, the owner's name is used in connection with the sales; thus, "*Dixon's Sales*" or "*Craig & Co.'s Sales.*"

Rule for Journalizing Consignments or Sales

Debit the consignment or sales account for the freight or charges paid when the goods are received. Debit it also at closing for the amount of additional charges, plus the net proceeds. Credit the account for all sales.

A **Commission Sales-Book** is a record of goods received and sold on commission.

On the left-hand side of this book is an entry showing the kind and quantity of goods received, also the amount paid for freight and charges. On the right-hand side are entered the sales. When the goods are all sold, the additional charges, such as storage, commission, etc., and the net proceeds are entered on the left. (See form of Commission Sales-book, pages 208–209.)

Although the transactions might be posted directly to the ledger from this book, it is considered less perplexing to the beginner not to do so, but to post entirely from the journal.

An **Account Sales** is a statement rendered the consignor or person who shipped the goods, showing the amount of the sales, charges, and net proceeds. (See form of Account Sales, page 216.)

The consignor keeps an account of these goods under the title of "Shipments." (See page 210 for Transactions.)

Commission Sales-Book

Craig & Co.'s Sales.

Apples

Date		Bbls.			L.F.	Amount		
Sept.	3	240	Cash,	paid freight and cartage,		62	50	
"	12		Storage,			3	50	
"	12		Insurance,			2	50	
"	12		Commission,	2½ % on sales,		19	69	88 19
"	12		Craig & Co.:	Net proceeds,				699 31
								787 50

Wm. Young's Sales.

Potatoes

		Bbls.						
Sept.	5	300	Cash,	paid freight and cartage,		57	80	
"	20		Storage,			4	25	
"	20		Insurance,			2	75	
"	20		Commission,	2½ % on sales,		17	33	82 13
"	20		Wm. Young:	Net proceeds,				610 87
								693 00

Gordon & White's Sales.

Onions

		Bbls.						
Sept.	8	100	Cash,			26	70	
"	25		Storage,			3	25	
"	25		Insurance,			2	25	
"	25		Commission,			14	11	46 31
"	25		Gordon & White:	Net proceeds,				518 19
								564 50

Commission Sales-Book

Apples

CRAIG & CO.'S SALES.

DATE		BBLS.			L.F.	AMOUNT			
Sept.	4	50	Cash, Sold Thos. Fuller	@ $3.25,		162	50		
"	5	70	Walter Abbott on %,	@ 3.30,		231	00		
"	9	80	J. D. Harbison on %,	@ 3.30,		264	00		
"	11	40	Cash, Sold Thos. Fuller	@ 3.25,		130	00	787	50
								787	50

Potatoes

WM. YOUNG'S SALES.

		BBLS.							
Sept.	10	60	Walter Abbott on %,	@ $2.25,		135	00		
"	18	120	Bills Receivable, Daniel Dean's note @ 5 days,	@ 2.35,		282	00		
"	19	120	Cash, Sold A. M. Davis	@ 2.30,		276	00	693	00
								693	00

Onions

GORDON & WHITE'S SALES.

		BBLS.							
Sept.	16	30	W. L. Banks on %,	@ $5.50,		165	00		
"	22	50	J. D. Harbison on %,	@ 5.75,		287	50		
"	24	20	Cash, Sold R. A. Fletcher	@ 5.60,		112	00	564	50
								564	50

Transactions for Set I

Sept. 1. Began the general Merchandise and Commission business with a cash capital of $ 8500.

" 1. Rented store No. 48 Front Street and paid rent for September, $ 150.

" 2. Bought Merchandise of W. H. Thompson & Co. on %, $ 3840.

" 2. Paid carpenter for repairs, $ 10.50.

" 3. Received of Craig & Co., Buffalo, per N. Y. Cent. R. R., to be sold on their account, 240 bbls. Apples. Paid freight and cartage on same per check, $ 62.50. (Debit "Craig and Co.'s Sales" for $ 62.50.)

" 3. Paid for insurance on goods in store $ 58.

" 4. Sold Thos. Fuller, for Cash, 50 bbls. Apples @ $ 3.25. (Credit Craig & Co.'s Sales.)

" 4. Sold W. L. Banks on %, 12 tubs Elgin Creamery Butter, 600 lbs. @ 28c. (Credit Merchandise.)

" 5. Received of Wm. Young, Elmira, N.Y., per Erie R. R., 300 bbls. Potatoes, to be sold on his account. Paid freight and cartage on same, $ 57.80.

" 5. Sold Walter Abbott on %, 70 bbls. Apples @ $ 3.30. (Craig & Co.'s Sales.)

" 6. Total Cash sales of Merchandise, $ 637.95.

" 8. Received of Gordon & White, Goshen, N.Y., per Erie R. R., 100 bbls. White Onions, to be sold on their account. Paid freight and cartage on same, $ 26.70.

" 8. Gave W. H. Thompson & Co. on %, our check for $ 800.

" 9. Sold J. D. Harbison on %, 80 bbls. Apples @ $ 3.30. (Craig & Co.'s Sales.)

" 9. Received of W. L. Banks Cash on %, $ 120.

" 10. Sold Walter Abbott on %, 60 bbls. Potatoes @ $ 2.25. (Wm. Young's Sales.)

" 10. Accepted W. H. Thompson & Co.'s draft on us @ 5 days for balance of their account, $ 3040.

Sept. 11. Sold Thos. Fuller for Cash, 40 bbls. Apples @ $3.25. (Craig & Co.'s Sales.)

" 12. Closed Craig & Co.'s Sales and rendered their Account Sales: Charges for Storage, $3.50; Insurance, $2.50; Commission, 2½% on sales, $19.69. Craig & Co.'s net proceeds, $699.31. (Credit Storage, Insurance, Commission, and Craig & Co. for their net proceeds. Debit Craig & Co.'s Sales for a sum equal to the total credits. See form of Account Sales, page 216.)

" 12. Remitted Craig & Co. check for balance of their account, $699.31.

" 13. Total Cash sales of Merchandise, $682.55.

" 15. Paid by check our acceptance of the 10th, being W. H. Thompson & Co.'s draft on us @ 5 days, $3040.

" 15. Received of Walter Abbott on %, his check on Union Bank for $250.

" 16. Sold to W. L. Banks on %, 30 bbls. White Onions @ $5.50 (Gordon & White's Sales); also 10 tubs Creamery Butter, 500 lbs. @ 27c. (Merchandise.)

" 17. Bought Merchandise per invoice of W. H. Thompson & Co. on %, $2745.20.

" 17. Paid for Coal, 2 tons @ $5.75, for use in store.

" 18. Sold to Daniel Dean on his note @ 5 days, 120 bbls. Potatoes @ $2.35. (Wm. Young's Sales.)

" 19. Sold J. D. Harbison on %, 5 cases Eggs, 255 doz. @ 22c.; also 5 tubs Creamery Butter, 250 lbs. @ 27c. (Merchandise.)

" 19. Sold A. N. Davis for Cash, 120 bbls. Potatoes @ $2.30. (Wm. Young's Sales.)

" 20. Closed Wm. Young's Sales and rendered him Account Sales: Charges for Storage, $4.25; Insurance, $2.75; Commission, 2½% on sales, $17.33. Wm. Young's net proceeds, $610.87.

" 20. Total Cash sales of Merchandise, $912.85.

" 22. Sold to J. D. Harbison on %, 50 bbls. Onions @ $5.75. (Gordon & White's Sales.)

" 22. Paid W. H. Thompson & Co. Cash on %, $2150.

" 23. Received Cash of Daniel Dean in payment of his note due this day, $282.

Sept. 24. W. L. Banks has given us his note @ 10 days, indorsed by Abel Fisher, for balance of his account, $348.

" 24. Sold R. A. Fletcher for Cash, 20 bbls. Onions @ $5.60. (Gordon & White's Sales.)

" 25. Closed Gordon & White's Sales and rendered Account Sales: Charges for Storage, $3.25; Insurance, $2.25; Commission, 2½% on sales, $14.11. Gordon & White's net proceeds, $518.19.

" 25. Remitted to Wm. Young check for balance of his account.

" 26. Gordon & White have drawn on us @ 5 days for balance of account due them from their sales. Accepted same, $518.19.

" 27. Paid for services, $80.

" 27. Total Cash sales of Merchandise, $1235.70.

Inventories: Merchandise, $3120; Insurance prepaid, $53.
Net Gain, $243.08.

Trial Balance, Set I		*Dr.*		*Cr.*	
Proprietor,				8500	00
Cash,		13301	55	7757	18
Merchandise	($3120 unsold),	6585	20	3895	65
Expense,		252	00		
W. H. Thompson & Co.,		5990	00	6585	20
Walter Abbott,		366	00	250	00
J. D. Harbison,		675	10		
Bills Payable,		3040	00	3558	19
Bills Receivable,		630	00	282	00
Storage,				11	00
Insurance	($53 prepaid),	58	00	7	50
Commission,				51	13
		30897	85	30897	85

SET J

Commission Business (Continued)

Oct. 1. Continued business from the preceding month.
" 1. Received from C. W. Dixon, Batavia, N.Y., per West Shore R. R., 200 bbls. Baldwin Apples, to be sold on his account. Paid freight and cartage per check on Columbia Bank, $38.40.
" 1. Paid to Gordon & White, per check, our acceptance due this day, $518.19.
" 2. Sold to James D. Lusk on %, 5 tubs Fancy Creamery Butter, 250 lbs. @ 29c.; also 3 cases Eggs, 147 doz. @ 24c. (Merchandise.)
" 2. Paid store rent for October per check, $150.
" 3. Sold to James Hicks for Cash, 60 bbls. Apples @ $3.50. (C. W. Dixon's Sales.)
" 3. Received of S. B. Miller, Jacksonville, Fla., per steamer Clyde, 100 boxes Oranges, to be sold on his account. Paid freight on same, $47.50.
" 4. W. S. Banks has given us his check in payment of his note due this day, $348.
" 4. Gave W. H. Thompson & Co. our note @ 5 days for balance of his account, $595.20.
" 4. Total Cash sales of Merchandise, $1175.65.
" 6. Received of J. R. Corbin, Burlington, N.J., to be sold on his account, 50 bbls. Cranberries. Paid freight on same, $21.60.
" 6. Sold to Walter Abbott on %, 40 bbls. Apples @ $3.40 (Dixon's Sales); also 30 boxes Oranges @ $2.55. (S. R. Miller's Sales.)
" 7. Bought Merchandise per invoice of W. H. Thompson & Co. on %, $2745.80.
" 7. Sold to D. W. McCready for Cash, 70 bbls. Apples @ $3.35 (Dixon's Sales); also 10 bbls. Cranberries @ $12.25. (J. R. Corbin's Sales.)
" 8. Paid for advertising, $17.75.
" 8. Received of J. D. Harbison his note @ 7 days to balance his account.

Oct. 9. Paid per check my note to W. H. Thompson & Co. due this day.

" 10. Received of Andrews & Co., Sag Harbor, L.I., per L. I. R. R., 150 bbls. Potatoes, to be sold on their account. Paid freight on same, $ 22.

" 10. Sold Robert Porter on %, 30 bbls. Apples @ $ 3.45 (C. W. Dixon's Sales); also 6 tubs, 300 lbs., Fancy Creamery Butter @ 29c. (Merchandise.)

" 11. Received of James D. Lusk on %, $ 50.

" 11. Total Cash sales of Merchandise, $ 1094.35.

" 13. Closed C. W. Dixon's Sales and rendered him an Account Sales: Charges for Storage, $ 4.20; Insurance, $ 3.00; Commission, $ 17.10. C. W. Dixon's net proceeds, $ 621.30.

" 13. Sold to Robert Porter on %, 40 bbls. Potatoes @ $ 2.40 (Andrews & Co.'s Sales); also 30 boxes Oranges @ $ 2.60. (S. R. Miller's Sales.) Received in payment Cash, $ 70; balance on %.

" 14. Remitted to C. W. Dixon, per check, balance due on his sales.

" 14. Accepted W. H. Thompson & Co.'s draft on us @ 20 days, favor of A. G. Evans, for $ 1850.

" 15. Paid clerk's salary, $ 30.

" 15. Received of J. D. Harbison his check on Union Bank in payment of his note due this day, $ 675.10.

" 16. Sold to L. N. Ruggles for Cash, 40 boxes Oranges @ $ 2.50. (S. R. Miller's Sales.)

" 17. Closed S. R. Miller's Sales and rendered Account Sales: Charges for Storage, $ 5.25; Insurance, $ 3.50; Commission, 3% on sales, $ 7.64. S. R. Miller's net proceeds, ——— ?

" 18. Sold to W. S. Goodwin for Cash, 15 bbls. Cranberries @ $ 12.50. (Corbin's Sales.)

" 18. Total Cash sales of Merchandise, $ 1205.

" 20. S. B. Miller has drawn his sight draft on us for balance due on his sales. Paid same per check.

" 20. Sold to James Blackwell on %, 12 bbls. Cranberries @ $ 12.75 (Corbin's Sales); also 50 bbls. Potatoes @ $ 2.45. (Andrews & Co.'s Sales.)

Oct. 21. Have drawn on Robert Porter @ 5 days for balance of his account, and remitted same to W. H. Thompson & Co. to apply to their account.

" 22. Prepaid our acceptance of the 14th, being W. H. Thompson & Co.'s draft at 20 days. Paid net proceeds per check, ——— ?

" 22. Sold James D. Lusk on %, 13 bbls. Cranberries @ $ 12.60 (Corbin's Sales); also 6 tubs Fancy Creamery Butter, 300 lbs. @ 28c. (Merchandise.)

" 23. Closed J. R. Corbin's Sales and rendered Account Sales: Charges for Storage, $ 5; Insurance, $ 2.75; Commission, 2½% on sales, $ 15.67. J. R. Corbin's net proceeds, ——— ?

" 24. Sold to Chas. Russell for Cash, 20 bbls. Potatoes @ $ 2.50. (Andrews & Co.'s Sales.)

" 24. Received of James Blackwell on %, $ 100.

" 25. Gave J. R. Corbin our note @ 5 days to balance his account.

" 25. Paid clerk hire, $ 15.

" 25. Total Cash sales of Merchandise, $ 1257.60.

Inventories: Merchandise, $ 950; Insurance, prepaid, $ 48.
Net Loss, $ 54.36. (Andrews & Co.'s Sales represents a liability.)

Trial Balance, Set J		*Dr.*		*Cr.*	
Proprietor,				8743	08
Cash,		12428	27	4117	55
Merchandise	($ 950 unsold),	5865	80	5011	38
Bills Payable,		2963	39	3545	17
Walter Abbott,		328	50		
W. H. Thompson & Co.,		2739	70	3341	00
James Lusk,		355	58	50	00
James Blackwell,		275	50	100	00
Expense,		212	75		
Storage,				14	45
Insurance	($ 48 prepaid),	53	00	9	25
Commission,				40	41
Andrews & Co.'s Sales,		22	00	268	50
Interest and Discount,				3	70
		25244	49	25244	49

Account Sales of 240 bbls. Apples sold on % and risk of CRAIG & CO.

Sept.	4	Sold Thos. Fuller for Cash, 50 bbls. @ $3.25,	162 50		
"	5	" Walter Abbott on %, 70 bbls. @ 3.30,	231 00		
"	9	" J. D. Harbison on %, 80 bbls. @ 3.30,	264 00		
"	11	" Thos. Fuller for Cash, 40 bbls. @ 3.25,	130 00	787	50
		Charges			
Sept.	3	Freight,	62 50		
"	12	Storage,	3 50		
"	12	Insurance,	2 50		
"	12	Commission, 2½ %,	19 69	88	19
"	12	Craig & Co.'s net proceeds,		699	31

Set K

Wholesale Dry-Goods Business

A journal, cash-book, and sales-book are used in this set as books of original entry. A petty cash-book is also used for small expenses not entered in the general cash-book. The invoices of all purchases, after they are examined and checked, should be pasted in a book kept for the purpose, and thus save the labor of copying.

The **Sales-Book** is arranged to show two classes of sales, viz. the charge sales, or sales on %, and the C. O. D. sales. The convenience of this arrangement will be seen at a glance. The total sales of the day or week may be posted to the credit of Merchandise in one entry. The proper personal account is then debited for each amount entered in the "charge" column, and the Delivery Department is debited for the total of the "C. O. D." column. This produces equal

debits and credits in the ledger, and shortens the labor of posting. When the Delivery Department collects the money and turns it over to the firm, "Delivery Department" is then credited.

At the end of the day, or the week, the Cash sales may be entered as totals in the cash-book, and from this carried to the ledger.

In almost every large business two sets of sales-books are required, each set consisting of three books, one for charge sales, one for C. O. D. sales, and another for Cash sales. The purpose of keeping two sets is to enable the book-keeper to post from one set while the other is being used for the sales. The present set is intended to illustrate the advantage of keeping separate columns, or separate books, for the different kinds of sales.

Price List

Dress Goods	Price
Henriettas,	.98[1]
Crepons,	1.35
Cheviot Serge,	.79
Novelties,	1.12[2]
Cashmere Imperial,	.62[3]
Ginghams	
Stratfords,	.06[1]
Fancy Weaves,	.08[2]
Birmińghams,	.06[3]
Silks	
Colored Taffeta, qual. 8,	.52
Black Surah,	.58[2]
Colored Bengaline,	.97
Black Moire,	1.75
Colored Stripes,	.47[2]

Prints	Price
Foulards,	.05[1]
Percales,	.04[3]
Sateens,	.05[3]
Indigoes,	.04[2]
Laces	
Chantillys,	3.75
Valenciennes,	2.95
Bourdons,	1.98
Velvets	
Black Silk Velvet,	8.50
Colored Silk Velvet,	5.35
Brown Sheetings	
Atlantic A,	.06
Cohasset,	.12[2]
Pembroke,	.08[1]

Journal

L.F.	*March 2, 189–*		*Dr.*		*Cr.*	
	Cash,	per C. B.,				
	Merchandise,	per I. B.,	14713	50		
	Furniture,	per Invoice,	543	50		
	Lord & Taylor,	due on %,	750	20		
	Simpson, Crawford & Simpson,	due on %,	420	75		
	B. Altman & Co.,	due on %,	515	25		
	H. Batterman,	due on %,	365	50		
	A. D. Matthews & Sons,		204	60		
	To Wm. H. Graef & Co.,	due on %,			870	40
	Wm. Schroeder & Co.,	due on %,			562	75
	Bills Payable,	note to Hardy & Co.,			1220	50
	Henry Van Buren,	capital,			14859	65
	1					
	Cash per C.B.,	Certificate of Deposit,				
	Western Union Telegraph Stock,	50 shares @ 88½,	4425	00		
	Bills Receivable,	J. H. Parker's note due Mar. 12,	2750	00		
	To James D. Field,	capital,			7175	00
	1					
	Merchandise,		1143	50		
	Dunham & Buckley,	bought on % per I. B.,			1143	50
	6					
	Wm. Schroeder & Co.,		562	75		
	Bills Payable,				562	75
	Accepted their draft @ 30 ds. for bal. of %.					

Special-Column Sales-Book

March 2, 189–

L.P.			Charge Sales		C. O. D. Sales	
	B. Altman & Co.,	On %.				
	4 ps. Chantillys, 14^2, 17^1, 12^3, 10 = 54^2 yds. @ $3.75,	$204.38				
	5 ps. Bourdons, 15^1, 8^3, 10^1, 14^2, 17^2 = 66^1 yds. @ $1.98,	131.18				
	9 ps. Cold. Taffetas, qual. 8, 37, 20^2, 24^1, 30^1, 27^3, 29^1, 32^1, 34^2, 46 = 281^3 yds. @ 52c.,	146.51	482	07		
	2					
	Delivery Department,	C. O. D.				
	Abel Fisher & Co.,					
	7 ps. Foulards, 27^1, 30^2, 32, 40^1, 35^3, 33, 29 = 227^3 yds. @ 5^1c.,	$11.96				
	3 ps. Pembrokes, 40^1, 41^2, 40^3 = 122^2 yds. @ 8^1c.,	10.11			22	07
	4					
	Lord & Taylor,	On %.				
	5 ps. Crepons, 40^2, 37^1, 42^1, 39^2, 35 = 194^2 yds. @ $1.35,	$262.58				
	8 ps. Atlantic A, 40^1, 42^2, 37^2, 40^3, 41, 39^1, 39^3, 41 = 322 yds. @ 6c.,	19.32				
	24 ps. Stratfords, 20^3, 37, 27^1, 29, 33, 40^1, 39^2, 39^1, 41, 24^1, 31, 41^3, 51^1, 53, 47, 26^2, 25^1, 52^1, 57, 34^2, 43^1, 49, 55, 36^1 = 934^1 yds. @ 6^1c.,	58.39	340	29		
	5					
	Delivery Department,	C. O. D.				
	Barber & Bates,					
	9 ps. Cohassets, 52^1, 47^3, 49, 51^2, 42^1, 41, 55, 53^1, 43^3 = 435^3 yds. @ 12^2c.,	$54.47				
	3 ps. Fancy Weaves, 32^1, 39^3, 47^1 = 119^1 yds. @ 8^2c.,	10.14			64	61
	6					
	James McCreery & Co.,	On %.				
	20 ps. Indigoes, 37, 39^1, 37^3, 40^1, 41, 35^3, 40^2, 38, 42^1, 44, 50^1, 49, 47^2, 51, 53, 47^1, 33, 45^1, 52^3, 41 = 865^3 yds. @ 4^2c.,	$38.96				
	6 ps. Blk. Surah, 40^3, 53, 47^2, 49^1, 46^1, 51 = 287^3 yds. @ 58^2c.,	168.33	207	29		
			1029	65	86	68
			86	68		
			1116	33		

Transactions for Set K

A partnership has this day been formed, per articles of agreement, between Henry Van Buren and James D. Field for the purpose of carrying on the Wholesale Dry-Goods business, formerly conducted by Henry Van Buren. Henry Van Buren is to share three-fifths, and James D. Field two-fifths of the gain or loss. The name of the firm is Van Buren & Field. The building occupied by the firm is owned by Henry Van Buren, as private property, and he is to receive an annual rental of $4200, payable in equal monthly payments.

Mar. 1. Henry Van Buren invests Cash, $1450; Merchandise, $14713.50; Furniture, $543.50; and accounts against Lord & Taylor for $750.20; Simpson, Crawford & Simpson for $420.75; B. Altman & Co. for $515.25; H. Batterman for $365.50; and A. D. Matthews & Sons for $204.60.

His liabilities are accounts due Wm. H. Graef & Co. for $870.40; Wm. Schroeder & Co. for $562.75; and a note to Hardy & Co. for $1220.50, dated Feb. 23, @ 15 days, and indorsed by Charles Tyler.

" 1. James D. Field invests a Certificate of Deposit in East River Bank for $5000; Western Union Telegraph Stock, 50 shares @ 88½; and J. H. Parker's note for $2750, indorsed by D. W. Sherman, dated Feb. 10, payable in 30 days at Chemical Bank.

" 1. We have opened an account with the Central Bank, and deposited all the Cash on hand, including the Certificate of Deposit on East River Bank invested by James D. Field. No separate bank account will be kept in ledger. Cash in bank is considered Cash on hand.

" 1. Insured the goods in stock at the rate of 1% in the following companies: Globe Ins. Co., $8000; Home Ins. Co., $7000; Nassau Ins. Co., $5000. Paid premium per check.

" 1. Bought of Dunham & Buckley on %, Merchandise per invoice, $1143.50.

Mar. 2. Sold B. Altman & Co. on %, 4 ps. Chantillys, 14^2, 17^1, 12^3, 10; 5 ps. Bourdons, 15^1, 8^3, 10^1, 14^2, 17^2; 9 ps. Colored Taffetas, qual. 8, 37, 20^2, 24^1, 30^1, 27^3, 29^1, 32^1, 34^2, 46.

" 2. Sold Abel Fisher & Co., C. O. D., 7 ps. Foulards, 27^1, 30^2, 32, 40^1, 35^3, 33, 29; 3 ps. Pembroke, 40^1, 41^2, 40^3.

" 3. Drew check for petty expenses, P. C. B., $25. (The Petty Cash-Book will explain the petty expenditures.)

" 3. Received of Lord & Taylor on %, their check for $200, which we have deposited.

" 3. Paid Wm. H. Graef & Co. per check, in full of %.

" 4. Sold Lord & Taylor on %, 5 ps. Crepons, 40^2, 37^1, 42^1, 39^2, 35; 8 ps. Atlantic A, 40^1, 42^2, 37^2, 40^3, 41, 39^1, 39^3, 41; 24 ps. Stratfords, 20^3, 37, 27^1, 29, 33, 40^1, 39^2, 39^1, 41, 24^1, 31, 41^3, 51^1, 53, 47, 26^2, 25^1, 52^1, 57, 34^2, 43^1, 49, 55, 36^1.

" 4. Bought Office Furniture of Willard & Co. Paid for same by check, $137.50.

" 5. Sold Barber & Bates, C. O. D., 9 ps. Cohassets, 52^1, 47^3, 49, 51^2, 42^1, 41, 55, 53^1, 43^3; 3 ps. Fancy Weaves, 32^1, 39^3, 47^1.

" 5. Bought for Cash of Fleitmann & Co. Merchandise per I. B., $622.50.

" 5. Drew our sight draft on A. D. Matthews & Sons for balance of their account, $204.60, and deposited same in Central Bank.

" 6. Sold James McCreery & Co. on %, 20 ps. Indigoes, 37, 39^1, 37^3, 40^1, 41, 35^3, 40^2, 38, 42^1, 44, 50^1, 49, 47^2, 51, 53, 47^1, 33, 45^1, 52^3, 41; 6 ps. Black Surah, 40^3, 53, 47^2, 49^1, 46^1, 51.

" 6. Accepted Wm. Schroeder & Co.'s draft on us at 3 days' sight for balance of account.

" 6. Cash sales of Merchandise, $1246.50.

Second Week

Mar. 8. Sold Brown, Thompson & Co. on %, 7 ps. Sateens, 27^1, 34^3, 37^1, 42^1, 47, 51^2, 46^3; 5 ps. Cheviot Serge, 42^2, 47^2, 35^1, 39^3, 49^1; 6 ps. Novelties, 37^3, 39^1, 42^3, 36^2, 49^1, 52^3.

Mar. 8. Lord & Taylor have this day accepted our draft on them at 10 days' sight for $ 850. We have had the same discounted, and net proceeds entered to our credit in Central Bank.

" 8. Delivery Department has collected from C. O. D. sales $ 86.68.

" 9. Sold James Lock & Son, C. O. D., 6 ps. Birminghams, 47^2, 52^1, 49^2, 43^2, 47^3, 59^1; 5 ps. Atlantic A, 51^1, 49^3, 47^2, 53, 50^1; 7 ps. Pembrokes, 47^3, 49^1, 43^2, 51, 55^3, 40^1, 41.

" 9. Paid by check our acceptance of the 6th, being Wm. Schroeder & Co.'s draft at 3 days' sight for $ 562.75.

" 9. Entered into a contract with the Chronicle Co. for one-fourth page of advertisement for three months, $ 300.

" 10. Paid per check Henry Van Buren's note to Hardy & Co., due to-day, $ 1220.50.

" 10. Bought of Wm. H. Graef & Co. on %, Merchandise per I. B., $ 530.70.

" 10. Sold for Cash, 25 shares Western Union Telegraph Stock @ 89.

" 11. Sold Arnold Constable & Co. on %, 10 ps. Cashmere Imperial, 58^1, 60^3, 67^1, 57^1, 51, 49^3, 45^3, 64^2, 33^1, 42^3; 18 ps. Percales, 60^1, 59^2, 57, 49^1, 63^1, 62^3, 70^2, 67^2, 53^3, 44^1, 42^3, 53^2, 64^1, 61^2, 54^2, 51^3, 43^2, 41^3; 3 ps. Colored Stripes, 51^3, 47^3, 32^1; 2 ps. Chantillys, 15^2, 20^1.

" 11. Paid the Chronicle Co. per check for three months' advertisement, per contract on the 9th, $ 300.

" 12. Sold Brown & Hamilton, C. O. D., 2 ps. Colored Bengalines, 56^2, 40^1; 3 ps. Colored Taffetas, qual. 8, 39^1, 42^3, 34.

" 12. Drew on B. Altman & Co. at 3 days' sight, favor of Dunham, Buckley & Co., $ 515.25.

" 13. Sold Frederick Loeser & Co. on %, 5 ps. Crepons, 40^1, 57, 53, 49^3, 42^1; 2 ps. Black Silk Velvet, 20^3, 35^2; 14 ps. Foulards, 51^2, 65, 49^3, 44^1, 47^3, 59, 62, 67^2, 61^3, 49^2, 55, 57, 50^1, 48^2.

" 13. Received of H. Batterman, in full of %, his sight draft on Hardy & Co. for $ 365.50.

Mar. 13. Drew check for pay-roll, $285.

" 13. Received for Cash sales, $1580.60.

Third Week

Mar. 15. Sold Price & Morgan on %, 7 ps. Crepons, 52^1, 39^2, 37, 50^2, 67^1, 62^3, 65^1; 15 ps. Indigoes, 60^1, 62^3, 39^1, 44^1, 47, 40^2, 37^3, 35^1, 31^2, 62^1, 67^1, 61^2, 50^3, 55^3, 59^1; 13 ps. Atlantic A, 59, 56^1, 50^1, 41^2, 67^3, 65^3, 60^2, 69^1, 51, 40^2, 43, 45^3, 46^1; 11 ps. Sateens, 40^3, 47^2, 41^2, 38^1, 39^2, 50^3, 57, 59^1, 51, 43^2, 46^2.

" 15. Delivery Department has collected from C. O. D. sales, $154.17.

" 15. Bought of Wm. Schroeder & Co. on %, Merchandise per I. B., $1082.90.

" 16. Delivery Department being unable to collect from James Lock & Son, for goods sold on the 9th, have returned the goods and received credit for same, $62.44.

" 16. Sold James McCreery & Co. on %, 3 ps. Colored Silk Velvet, 30^2, 39^1, 50^3; 6 ps. Valenciennes, 22^1, 27, 30^3, 23^2, 25^1, 34^3; 14 ps. Fancy Weaves, 60^2, 48^1, 44^3, 47^1, 50^2, 49, 40^1, 61^3, 67^2, 59, 53^2, 42^1, 51^2, 55^1.

" 16. Drew check for petty expenses, P. C. B., $20.

" 17. Received of J. H. Parker in payment of his note of $2750 due the 12th, a new note at 10 days with interest from date for $1500, indorsed by Geo. Lobeck, and Cash for balance, including interest on old note from the 12th to the 17th.

" 17. Sold Barber & Bates, C. O. D., 2 ps. Bourdons, 18^3, 19^1; 3 ps. Chantillys, 12^2, 17, 20^3.

" 17. Bought Merchandise of James Lyons per I. B., $327.50. Gave in payment our sight draft on Simpson, Crawford & Simpson, $327.50.

" 18. Paid for printing and advertising, $34.50.

" 18. Loaned to A. J. Foster $3000 @ 5 %, and received his note payable on demand, indorsed by Young & Smith.

" 18. Sold Abel Fisher & Co., C. O. D., 7 ps. Percales, 49^2, 41^3, 52^1, 48^3, 42^3, 59^1, 57; 3 ps. Black Surah, 42^3, 60^3, 63^1.

Mar. 19. Accepted Wm. Schroeder & Co.'s draft on us @ 5 days, in favor of Henry N. Palmer, for $ 525.

" 19. Sold Arnold, Constable & Co. on %, 8 ps. Colored Stripes, 32^{8}, 37, 29^{8}, 40^{8}, 43^{1}, 39^{8}, 33^{8}, 38^{8}; 4 ps. Crepons, 47^{8}, 52^{8}, 57^{1}, 60^{8}; 6 ps. Novelties, 53^{8}, 50^{8}, 47^{1}, 49, 43, 51^{8}; 9 ps. Cohassets, 60^{1}, 62^{8}, 51, 57^{8}, 52, 40^{8}, 47^{8}, 53^{1}, 59^{8}.

" 20. Brown, Thompson & Co. have this day accepted our draft on them in our favor, at 5 days' sight, for the balance of their account.

" 20. Sold Brown & Hamilton, C. O. D., 5 ps. Cashmere Imperial, 57^{1}, 42^{1}, 45^{8}, 51^{8}, 59^{8}; 8 ps. Black Moire, 39^{1}, 35^{8}, 42^{8}, 36^{8}, 31, 52^{1}, 57^{8}, 41.

" 20. Received for Cash sales, $ 1720.35.

Fourth Week

Mar. 22. Sold Brown, Thompson & Co. on %, 9 ps. Henriettas, 67^{1}, 59^{8}, 54^{8}, 60^{8}, 49^{1}, 46^{8}, 57, 53^{1}, 68; 16 ps. Fancy Weaves, 57^{8}, 53^{8}, 50^{8}, 69^{1}, 65^{8}, 42^{1}, 54^{8}, 55, 67^{8}, 66^{8}, 72^{1}, 70^{8}, 51^{8}, 58^{8}, 48, 44^{8}; 10 ps. Cohassets, 40^{1}, 47^{8}, 43^{1}, 49^{8}, 52^{8}, 51, 44^{8}, 42^{1}, 45^{8}, 48; 20 ps. Indigoes, 72, 79^{8}, 76^{8}, 55^{8}, 59^{1}, 67^{1}, 66^{8}, 61^{8}, 70^{1}, 69^{1}, 60^{8}, 62^{1}, 54^{8}, 57, 51, 50^{8}, 49^{8}, 43^{8}, 44^{8}, 42^{1}.

" 22. Price & Morgan having failed, we have agreed to settle on a basis of 60 %, and have received that amount in Cash.

" 22. Drew check for petty expenses, P. C. B., $ 35.

" 23. Sold Allen & Reed, C. O. D., 3 ps. Valenciennes, 10^{8}, 17^{8}, 19^{1}; 12 ps. Colored Stripes, 42^{1}, 37^{8}, 39^{1}, 47^{1}, 50^{8}, 52^{8}, 57^{8}, 48^{1}, 68^{8}, 55, 49^{8}, 40^{8}; 16 ps. Birminghams, 58^{1}, 49^{8}, 47^{8}, 59^{1}, 60^{8}, 62^{1}, 61^{8}, 67^{8}, 57^{8}, 59^{8}, 52, 40^{1}, 55^{8}, 60^{8}, 41, 53^{8}.

" 23. Delivery Department has collected from C. O. D. sales, $ 1127.29.

" 23. Arnold, Constable & Co. have accepted our draft on them at 5 days' sight in our favor, for $ 775.

" 24. Paid per check our acceptance of the 19th, being Wm. Schroeder & Co.'s draft for $ 525.

Mar. 24. James McCreery & Co. have paid us by check on Union Bank, $1000, which we have deposited.

" 24. Sold A. D. Matthews & Sons on %, 2 ps. Black Silk Velvet, 60^{3}, 65^{3}; 15 ps. Stratfords, 50^{1}, 69^{3}, 65^{2}, 61^{2}, 49^{3}, 43^{2}, 60^{1}, 42^{1}, 47, 59, 57^{1}, 51^{3}, 62^{3}, 67, 40; 21 ps. Atlantic A, 60^{2}, 69^{2}, 41^{3}, 49, 45^{2}, 61^{3}, 67^{1}, 40^{1}, 47, 42^{3}, 46^{3}, 66^{2}, 64^{1}, 63, 43^{1}, 48^{2}, 70, 72, 71^{3}, 76^{3}, 77^{2}.

" 24. Bought Merchandise of Wm. H. Graef & Co. on %, $690.

" 25. Sold Frederick Loeser & Co. on %, 6 ps. Cheviot Serge, 60^{2}, 71, 75^{2}, 69^{3}, 64^{1}, 72^{1}; 11 ps. Colored Taffetas, qual. 8, 47, 59^{2}, 52^{1}, 48^{3}, 46^{3}, 41^{2}, 62, 71, 69^{2}, 49^{3}, 40^{2}.

" 25. Received from Brown, Thompson & Co. a draft on New York in payment of their acceptance of the 20th, due to-day.

" 25. Sold Simpson, Crawford & Simpson on %, 4 ps. Colored Bengaline, 27^{2}, 42^{3}, 45^{3}, 36^{1}; 12 ps. Foulards, 42^{1}, 47^{3}, 57^{3}, 43^{1}, 60, 69^{1}, 65, 49^{3}, 55^{2}, 41^{2}, 40^{3}, 51^{3}; 2 ps. Colored Silk Velvet, 18^{3}, 12^{2}.

" 26. Received from Insurance Companies $575 for loss sustained by fire.

" 26. Sold James Lock & Son, C. O. D., 7 ps. Black Surah, 47^{2}, 39^{3}, 38^{1}, 60^{2}, 61, 67^{3}, 44^{1}; 18 ps. Pembrokes, 62^{1}, 79^{3}, 52^{1}, 53, 49, 40^{2}, 41^{3}, 61, 66^{3}, 69, 43^{2}, 41^{2}, 44^{1}, 34^{1}, 33^{2}, 55^{3}, 57, 42^{3}.

" 27. J. H. Parker has paid his note of the 17th with interest for 10 days.

" 27. Sold J. C. Woodbridge, C. O. D., 3 ps. Black Moire, 20^{2}, 32^{3}, 47^{1}; 4 ps. Fancy Weaves, 42^{3}, 47^{2}, 60^{3}, 51.

" 27. Drew Cash for pay-roll, $290.

" 27. Gave Dunham & Buckley our note at 10 days in settlement of their account.

" 27. Paid Henry Van Buren, per check, rent for March, $350.

" 27. The unexpended money charged to petty cash-book is $16.75.

Inventories: Merchandise, $6122.55; Furniture, $650.00; Western Union Telegraph Stock, $2237.50; Insurance, prepaid, $166.67; Advertising, prepaid, $200.00; Interest on A. J. Foster's note, $3.75.

Trial Balance, Set K		*Dr.*	*Cr.*
Henry Van Buren (Proprietor),			16309 65
James D. Field (Proprietor),			12175 00
Expense,	($ 866.67 prepaid),	1539 50	16 75
Dunham & Buckley,		1143 50	1143 50
Bills Payable,		2308 25	2936 50
Bills Receivable,		8501 28	4726 28
Western Union Telegraph Stock,	($ 2227.50 Inv.),	4425 00	2225 00
James McCreery,		1396 46	1000 00
Delivery Department,		2391 09	1430 58
Furniture,	($ 650 Inv.),	681 00	
B. Altman & Co.,		997 32	515 25
A. D. Matthews & Sons,		1405 10	204 60
Wm. H. Graef & Co.,		870 40	2091 10
Wm. Schroeder & Co.,		1087 75	1645 65
Cash,		23144 53	10223 98
Merchandise,	($ 6122.55 Inv.),	19173 04	15951 58
Lord & Taylor,		1090 49	1050 00
Simpson, Crawford & Simpson,		768 41	327 50
Brown, Thompson & Co.,		1174 32	476 28
Arnold, Constable & Co.,		1407 70	775 00
Frederick Loeser & Co.,		1478 02	
Interest and Discount,	($ 3.75 accrued),	1 42	4 79
Loss and Gain,		244 41	
		75228 99	75228 99

Results

Net Gain,	$ 1514.22
Henry Van Buren, Net Capital at beginning,	$ 16309.65
Henry Van Buren, ⅗ Net Gain,	908.53
Henry Van Buren, Present Worth,	$ 17218.18
James D. Fields, Net Capital at beginning,	$ 12175.00
James D. Fields, ⅖ Net Gain,	605.69
James D. Fields, Present Worth,	$ 12780.69

Exercises in Journalizing

1

1. Sold Merchandise for Cash, $520.
2. Sold Merchandise on note @ 10 days, $450.
3. Bought Merchandise of H. C. Worth for Cash, $145.
4. Bought Merchandise of Geo. W. Hall on %, $215.
5. Sold to Geo. Henderson, Merchandise, $780. Received Cash for one-half, and balance charged to his account.
6. Sold to Nelson & White, Merchandise, $990. Received Cash one-third, note @ 30 days for one-third, and balance on %.
7. Bought of Joseph Harrigan, Merchandise, $618. Paid Cash, $118; gave note @ 5 days for $200; balance on %.
8. Received of Nelson & White Cash on %, $150.
9. Paid my note in favor of Chas. Brown, $700.
10. Received of Edward Bailey $265, in payment of his note due this day.

2

1. Have drawn a sight draft on Wm. Jones for $137.50, in favor of Geo. Smith.
2. Paid in goods from store Ralph Stevens' order on us for $32, in favor of Philip Dwyer.
3. Gave R. C. Miller my note @ 60 days in settlement of account, $750.
4. James Daniels has drawn a draft on us @ 5 days' sight for $420, which we have accepted.
5. Received of S. R. Walker in settlement of his account his note @ 30 days for $500, indorsed by Thos. Long.
6. Received of A. J. Collins in settlement of his account, Cash, $260, and his draft on E. F. Tyler @ 6 days' sight for $140, which has been accepted.
7. Gave L. C. Fuller on %, Cash, $100, and draft on D. H. Morgan @ 20 days' sight for $175.
8. Exchanged notes with J. N. Wright for $400.
9. Received of Henry Preston on %, his sight draft on Robert Emerson for $328.
10. Accepted J. C. Gray's draft on us @ 30 days' sight for $1000, in favor of H. Hibbard & Co.

3

1. Prepaid my note to R. C. Miller for $750; discount for 35 days @ 6 %, ——; net proceeds, ——.

2. Received of Cyrus Ludlow in settlement of his account, Cash, $27.50; his sight draft on Amos Gunther for $60, and his note @ 30 days for $312.50.

3. The First National Bank has discounted for us Cyrus Ludlow's note for $312.50; discount for 59 days @ 6 %, ——; net proceeds received from bank, ——.

4. Paid Jasper Graham in full of account by giving him Cash, $37.80; a draft on Frank Woodworth @ 5 days' sight for $65, and our note @ 30 days for $125.

5. Louis Friedman owes us $432.50, which he pays by indorsing to us J. B. Howell's note for $295, and Cash for the balance, including discount on Howell's note for 60 days @ 6 %.

6. G. H. Moeller pays his note of $524, and interest on same, $27.50, by giving us Merchandise valued at $425, and Cash for balance.

4

1. Chas. Lyman began business with the following resources and liabilities: Resources,—Cash, $140; Real Estate, $3200; Merchandise, $1250; Wm. Clifford owes him on a note, $250; S. T. Barnard owes him on %, $117. Liabilities,—He owes D. C. Andrews on a note, $375. Journalize in two ways, first with one entry, and afterwards with two entries.

2. John D. Crane and D. F. Cummings enter into partnership. Crane invests Cash, $570; Merchandise, $5150; accounts due from the following persons: W. B. Evans, $186; C. S. Gregory, $78.50. Cummings invests Real Estate, $8000; Cash, $340. The firm assumed to pay for him a note due Allen Lloyd for $2500.

3. John D. Crane, a partner in the above transaction, makes an additional investment of Cash, $350.

4. D. F. Cummings, the other partner, draws for private use, $175.

5. Alfred Beck, James Turner, and H. G. Brandon are partners. Beck invests Cash, $725; a note signed by A. C. Hall, indorsed by Frederick Walsh, for $895, on which interest has accumulated amounting to $37.50; and Merchandise valued at $1347. James Turner invests Cash, $260; Real Estate, $2000.

The firm assumes to pay for him a note due P. H. Burns of $400, and accumulated interest on same to date, $16.40. H. D. Brandon invests Bank Stock, $3250. The firm assumes to pay for him an account due Robert Bissell of $1000. Journalize in two ways.

5

1. Our stock of Merchandise, valued at $8400, has been consumed by fire. The Globe Insurance Company has paid us the amount insured by them, $6000; the balance is a total loss.

2. The First National Bank, in which I own 5 shares of stock ($100 per share), has failed, and I have paid in Cash an assessment equal to the par value of the stock I own.

3. Paid Andrew Jones in full of % by giving him a draft on Amos Smith @ 10 days' sight for $135, which Smith has accepted. Make journal entry for your own books, also for Jones' and Smith's books.

4. Borrowed Cash, $300, and gave my note for $300, with interest @ 6 %.

5. Paid in Cash the above note and interest, $318.

6. A note which we hold for $850 has accumulated interest amounting to $87. The maker pays the interest and issues a new note for one year in lieu of the old one, the new note including interest to the time of maturity.

7. Received of Chas. Casey, to be sold on his account, 450 bbls. Flour, invoiced @ $5.50 per bbl. Paid freight and cartage on same, $17.50.

Exercises in Statements

Trial Balance, I	*Dr.*		*Cr.*	
Proprietor,	200	00	4500	00
Cash,	8220	00	2625	00
Merchandise,	3975	00	4720	00
Expense,	175	00		
Henry Wilson,	250	00	975	00
J. H. Raymond,	740	00	740	00
Geo. C. Adams & Co.,			1000	00
Miller & White,	1460	00	460	00
	15020	00	15020	00

Trial Balance, II		*Dr.*		*Cr.*	
Proprietor,		260	00	3000	00
Cash,		6605	50	5783	75
E. F. Cooper,		1500	00	450	00
Chas. A. Davis,		800	00	800	00
Expense,		268	75		
Merchandise	($1400 unsold),	5955	00	4925	50
Bills Receivable,		1490	00	670	00
Bills Payable,		2580	00	4080	00
Harris & Gray,		500	00	250	00
		19959	25	19959	25

Trial Balance, III		*Dr.*		*Cr.*	
Edward Dean,				15741	95
Cash,		10452	60	3619	25
Merchandise	($4750.25 unsold),	9317	50	4602	40
Bills Receivable,		4958	75	1000	00
Bills Payable,		1610	00	2110	00
Wm. Allen,		434	50	125	00
Herman Decker,		390	00	390	00
Chas. A. Wingate,		937	00	500	00
Robert Patterson,		1500	00	2250	00
Mason & Dixon,		2000	00	2000	00
Expense	($650, Horses and Wagons),	884	25		
C. B. Henderson,		476	50		
H. C. Dobson & Co.,				467	50
Shipment to King & Miller,		1325	00	1480	00
		34286	10	34286	10

Trial Balance, IV		*Dr.*		*Cr.*	
Philip Bruce	(Proprietor),			8640	60
Merchandise	($ 7312.50 unsold),	10638	35	3700	75
Expense	(Inventory: Horses and Wagons,				
	$ 850; Safe, $ 225),	1207	35		
Cash,		1893	25	1439	80
Bell & Graham,		1164	00	400	00
Long & Willis,		800	00	1670	00
Robert C. Dayton,		814	50	502	50
H. G. Gray & Co.,		596	00	835	90
Alfred Tripp,		323	60	150	00
Bills Payable,		800	00	1400	00
Bills Receivable,		502	50		
Wm. Howard,		596	00	596	00
		19335	55	19335	55

Trial Balance, V		*Dr.*		*Cr.*	
Philip Bruce	(Proprietor),	150	00	8883	15
David Whitney	(Proprietor),	175	00	5000	00
Merchandise	($ 3515 unsold),	10646	80	2628	00
Cash,		8843	39	3521	86
Expense	(Inventory: Horses and Wagons,				
	$ 825; Safe and Furniture, $ 265),	1428	55		
Bills Receivable,		1496	50	1266	50
Bills Payable,		2389	90	2839	90
Robert C. Dayton,		430	00	430	00
Alfred Tripp,		517	60	300	00
Long & Willis,		979	00	2254	60
H. G. Gray & Co.,		239	90	477	10
Bell & Graham,		929	00	764	00
J. B. Sanford,		374	00	229	00
Interest and Discount,		3	56	9	09
		28603	20	28603	20

SPECIAL FORMS
A Three-Column Sales-Book

March 2, 189–		Charges Sale		C. O. D. Sales		Cash Sales	
Geo. W. Clark,	On %.						
1 Oak Extension Table,	$22.00						
6 Dining Chairs @ $3.00,	18.00						
40 yds. Brussels Carpet @ 90c.,	36.00	76	00				
3							
Frank Gardner,	Cash.						
1 Mahogany Cabinet,	$48.00						
1 Brass Easel,	9.75					57	75
4							
Delivery Department,	C. O. D.						
Henry Gibson,							
1 Chiffonier,	$29.00						
1 Sideboard,	48.50			77	50		
5							
Edward Bowman,	On %.						
1 Cherry Bookcase,	$45.25						
1 Cherry Desk,	32.00						
1 Hall Stand,	25.00						
1 Hanging Rack,	4.50	106	75				
6							
Delivery Department,	C. O. D.						
S. C. Verner,							
57 yds. Moquet Carpet @ $1.25,	$71.25						
18 yds. Linoleum @ 85c.,	15.30			86	55		
8							
Geo. F. Shields,	Cash.						
1 Parlor Suit,						155	00
9							
Albert Davis,	On %.						
2 Arm-chairs @ $12.50,	$25.00						
1 Rocker,	10.50	35	50				
		218	25	164	05	212	75
		164	05				
		212	75				
		595	05				

A Six-Column Journal

New York, June 1

Mdse.	Cash	Sundries		Sundries	Cash	Mdse.
	821 75		Cash			
1400 00			Merchandise			
		820 00	Bills Receivable			
		1050 00	E. F. Cooper			
		250 00	Harris & Gray			
			Bills Payable	1500 00		
			Proprietor	2841 75		
			2			
3200 00			Merchandise			
			Bills Payable	3200 00		
			3			
		175 00	Expense			
			Cash		175 00	
			4			
	1200 00		Cash			
			Merchandise			1200 00
			5			
		26 50	Expense			
			Cash		26 50	
			7			
1000 00			Merchandise			
			Long & Willis	1000 00		

New York, June 8

Mdse.	Cash	Sundries		Sundries	Cash	Mdse.
	1800 00		Cash			
		700 00	Bills Receivable			
			Merchandise			2500 00
			10			
295 50			Merchandise			
			Cash		295 50	
			12			
		500 00	Long & Willis			
			E. F. Cooper	500 00		
			14			
		672 35	Harris & Gray			
			Merchandise			672 35
			15			
		3200 00	Bills Payable			
			Cash		3189 33	
			Discount	10 67		
5895 50	3821 75	7393 85		9052 42	3686 33	4372 35
		3821 75		3686 33		
		5895 50		4372 35		
		17111 10		17111 10		

VOCABULARY

Abatement. — A discount or rebate allowed on the payment of a debt.

Acceptance. — The act of accepting a draft by writing across its face "Accepted," the date, and the acceptor's name. A draft which has been accepted.

Accommodation Paper. — A note or acceptance without consideration made by one person for the accommodation of another, to enable him to obtain money or value from a third party.

Account. — A systematic record of debits and credits arranged under a title showing a definite result.

Account Current. — A running or continuous account; a detailed statement of the debits and credits of a running account.

Account Sales. — An itemized statement sent by a commission merchant to his principal, showing the sales, expenses, and net proceeds.

Adventure. — A shipment of goods to be sold on account and risk of the shipper.

Agent. — One who is authorized to act for another.

Assets. — Resources; the entire property belonging to a person.

Assignee. — The person to whom is transferred the property of an insolvent debtor.

Assignment. — The transfer of an insolvent's property to the assignee.

Auditor. — A person authorized to audit or examine accounts.

Balance. — The difference between the debit and credit sides of an account.

Balance of Trade. — The difference in value between the exports and imports of any country.

Balance Sheet. — A formal statement showing the condition of the business.

Bank-Book. — A small book given to the depositor, in which are entered his deposits and the amounts drawn out.

Bank Bill. — A printed promissory note issued by a bank and payable on demand; money.

Bankrupt. — One who is unable to pay his debts; an insolvent.

Bill. — An itemized statement of goods sold or services rendered.

Bill of Exchange. — An order drawn on a person in a foreign country requesting the payment of money.

Bill of Lading. — A receipt given by a transportation company for goods received, and an agreement to deliver the same at a specified place.

Bonded Goods. — Imported goods stored in a bonded warehouse till the duties are paid.

Broker. — A person employed to transact business for another; an agent; one who buys and sells stocks for another.

Capital. — Money or property of any kind invested in business.

Certificate. — A written statement attesting some fact, as a certificate of stock; a certificate of deposit.

Certified Check. — A check which a bank has certified to be good and agrees to pay.

Check. — A depositor's written order on a bank for the payment of money.

Clearing House. — A place where banks and banking institutions adjust and settle their accounts with each other.

Collateral. — Any kind of property pledged to secure the payment of a loan, or other debt.

Commercial Paper. — Any kind of negotiable paper, — notes, drafts, and checks.

Commission. — The percentage charged by an agent for the sale or purchase of goods; a verbal or written order by which one is authorized to transact business for another.

Consignee. — The person to whom goods are sent or consigned.

Consignment. — Goods sent or consigned to an agent to be sold on account of the consignor.

Consignor. — The person who sends or consigns the goods.

Consul. — A government agent residing in a foreign seaport appointed to guard the commercial interest of his own country.

Contra. — Against; an opposite or counter entry.

Co-partnership. — A partnership.

Coupon. — A certificate of interest attached to a bond and designed to be cut off when the interest becomes due.

Creditor. — One who has given credit; one from whom value has been received.

Days of Grace. — The days (usually three) which immediately follow the day specified for the payment of a note or draft; days

allowed to the debtor in which to make payment. In many states days of grace are abolished.

Debtor. — A person in debt; one who has received something of value without paying for it.

Defalcation. — Abatement; deducting a part; embezzlement of money.

Deposit. — Money placed in a bank; part payment of goods purchased.

Discount. — An allowance made for payment of a debt before it is due; the sum deducted from a bill or debt.

Dishonor. — To refuse to accept a draft, or to fail to pay a written obligation at maturity.

Draft. — A written order for the payment of a specified sum of money.

Drawee. — The person who is requested to pay the draft.

Drawer. — The person who draws the draft and requests payment to be made.

Due Bill. — A written acknowledgment of a debt, which is made payable in either money or property.

Earnest. — Money or property advanced to bind the parties to the performance of a verbal contract.

Embezzlement. — The fraudulent appropriation of money or property entrusted to one's care.

Exchange. — A method of making payment between merchants at distant places by the use of drafts or bills of exchange; the premium or discount arising from the purchase or sale of a bill of exchange.

Firm. — The name or title under which two or more partners transact business; a commercial house.

Fixtures. — That which is fixed or attached to the store or dwelling, and which the tenant may not carry away, such as gas fixtures, partitions, etc.

Folio. — The page in any book of account.

Footing. — The amount or sum of a column of figures; adding a column of figures.

Good Will. — The trade and reputation pertaining to an established business.

Guaranty. — A promise to answer for the debt or default of another; indemnity against loss.

Indorse or **Endorse.** — To write one's name across the back of a note, draft, or commercial paper, in order to transfer it or secure its payment.

Indorsee. — The person to whom commercial paper has been indorsed.

Indorser. — The person who indorses, or writes his name across the back of a note, draft, or check.

Infant. — A minor; one under the age of twenty-one years.

Insolvent. — One who is not able to pay all or any of his debts.

Installment. — A part payment of a debt, or a part yet to be paid.

Interest. — A sum of money paid for the use of money.

Inventory. — An itemized list of articles with their estimated value.

Invoice. — A detailed account of goods bought, sold, or shipped.

Invoice-Book. — A book in which invoices are entered or filed.

Jobber. — One who buys from importers or manufacturers, and sells to retail dealers.

Journal. — A book employed to show specially the debits and credits of business transactions.

Lease. — A contract for the use or occupancy of a store, dwelling, or other real estate, for a certain time. When the lease is for more than a year, it should be in writing to be valid.

Ledger. — The book of final entry, in which the debits and credits are systematically arranged.

Letter of Credit. — A letter from one banking house to another authorizing the payment of a specified sum of money to the person named in the letter; used chiefly by travelers.

Liabilities. — The debts of a person or firm.

Manifest. — A description or invoice of a ship's cargo.

Merchandise. — Any kind of goods bought or sold by merchants.

Monopoly. — The exclusive privilege of making or selling some article; the sole right of the traffic in anything.

Mortgage. — A written contract in which either personal property or real estate is pledged for the payment of money, or the performance of a contract.

Negotiable Paper. — Commercial paper, such as notes and drafts which may be transferred by indorsement and delivery.

Net Proceeds. — The net amount due after deducting all charges and expenses.

Notary Public. — A public officer empowered to acknowledge deeds and other writings, and to protest commercial paper for non-acceptance, or non-payment.

Open Account. — A running account in contradistinction to one that is closed or settled.

Order-Book. — A book in which orders are entered for goods to be manufactured, or delivered, or work to be done; a book of original entry.

Par. — Equal in value to that expressed on the face of the paper; nominal or original value.

Partnership. — An agreement between two or more persons to combine their money, property, or labor in some enterprise, and to share in the resulting profit or loss.

Pass-Book. — A book in which a trader enters articles sold on credit, and then passes it back to the purchaser.

Payee. — The person to whom a note or draft is made payable; any one to whom payment is to be made.

Personal Property. — Property of every kind except real estate and fixtures.

Power of Attorney. — A written instrument which empowers one person to act for another.

Principal. — The person for whom an agent acts; the sum on which interest is computed.

Promissory Note. — A written promise to pay a specified sum of money, at a certain time, to a person, to his order, or to bearer.

Protest. — A formal notice by a notary public to an indorser of a note or draft, or to a drawer of a draft, informing him that he is responsible for the payment of the paper.

Quotations. — The published current prices of commodities.

Real Estate. — Fixed or immovable property, such as houses and lands.

Rebate. — A deduction from the fixed price.

Remittance. — The money or funds transmitted from one place to another.

Resources. — Money; funds; claims against others, and property of every description; assets.

Shipment. — Goods shipped to an agent to be sold on account of the shipper.

Statement. — An exhibit of resources, liabilities, gains, and

losses; a transcript of the debits and credits of a person's account, showing the balance due.

Stock. — The entire value of goods on hand according to an inventory; the title used as a substitute for the proprietor's name.

Syndicate. — An association of capitalists formed for the purpose of carrying out some financial or industrial project.

Tariff. — A schedule of prices; a system of duties imposed on goods imported.

Teller. — An officer in a bank who receives or pays out money.

Trade Discount. — A discount from the list price allowed by the wholesale dealer to his customers.

Trial Balance. — An exhibit of all the accounts in the ledger, to ascertain if the total debits equal or balance the total credits.

Underwriter. — An insurer, especially one who insures a vessel or cargo.

Usury. — Interest in excess of the legal rate.

Void. — Having no force or effect in law; null.

Voucher. — A receipt, entry, or writing of any kind which proves that some transaction has occurred, such as the payment of money.

Wares. — Merchandise; a particular class of goods.

Warranty. — An agreement to become responsible for the representations made relating to the subject of the contract.

Way Bill. — A list and description of goods transported by a railroad.

BUSINESS PRACTICE

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BUSINESS PRACTICE

BUSINESS LETTERS

The importance of that knowledge which enables one to write a good business letter must have been in mind when President Hadley said, "One may be a graduate of a university and not be able to write a good business letter." And yet in this business age almost every one is called upon to write just this kind of a letter.

The student in bookkeeping who has had no special training in letter writing is advised to devote some time exclusively to this important matter before taking up the practical sets in which letters are so often required.

The technical part of a business letter may be readily acquired by copying the models, but skill in composition with facility of expression comes only by diligent practice. It is sought to make this work as easy and interesting as possible by furnishing the student with facts, ideas, or contents which he is expected to express in his own words.

To acquire the form, copy the model below, also several others that follow on pages 246, 247, 248; also see pages 106, 107, 108.

Model Letter, Ordering Goods

HUDSON, N. Y., November 4, 1909.

MESSRS. R. H. MACY & CO.,
Broadway and Sixth Avenue,
New York City.

Gentlemen:

Please send to my address goods selected from your catalogue as follows:

5 lb. Mixed Tea	@	$ .70
20 " Granulated Sugar		.05½
7 " Rice		.10
1 case Canned Tomatoes		2.75
1 box Star Laundry Soap		1.45

Inclosed you will find a money order for the amount of the above bill, $9.50. Kindly ship the goods by freight on N. Y. C. and H. R.R.

Yours truly,
ADAM MARSHALL.

Inclosure.

Formal Parts of a Letter

The parts of a letter are 1. Heading; 2. Address; 3. Salutation; 4. Body; 5. Complimentary close and signature.

Observe the exact position of each of these parts in the above model. Observe also the punctuation, and particularly the two places in which the colon is used.

In the address one may use "Mr." or "Messrs." or "Mrs." or "Miss" before the name addressed. But "The Simpson Crawford Company" or "The Westinghouse Company" does not require a title before it. Use "Rev." thus, "Rev. Charles Miller" or "Rev. Mr. Miller." High officers of government have the prefix "Hon."

The salutation may be "Dear Sir," "Dear Madam," "Madam," "Gentlemen," etc. Some object to "Dear Sirs," although it is still used. "Madam" or "Dear Madam" is appropriate in addressing either a married or a single woman.

Note where the body of the letter begins and see how each paragraph is indented.

The complimentary close may be "Yours truly," "Very truly yours," or "Yours respectfully." "Very respectfully yours" may be used when one wishes to be deferential. "Yours sincerely" and "Cordially yours" are properly reserved for letters of friendship.

The signature should generally be written in full. J. H. Jones is not so definite as James H. Jones. If you sign as agent, secretary, etc., the title should be written under the signature. When you write for another person your name or initials should appear under his with the word "per" prefixed. A woman's signature should have "Miss" or "Mrs." prefixed and in parenthesis to indicate whether single or married, thus (Miss) Mary C. Martin; (Mrs.) Anna L. Fisher.

The superscription is the name and address written on the envelope. Lack of care at this point sends many thousands of letters every day to the Dead Letter Office. A misdirected letter may be returned to you if your name and address are written or printed in the upper left-hand corner of your envelope.

Construction of the Letter

It is advisable to repeat that skill in composition comes only by diligence in practice. To practice in the proper way the student must constantly keep in mind those things which are essential to a good business letter, namely: clearness, completeness, coherence, courtesy, and brevity.

Clearness cannot be attained until one has a very definite and exact idea of what he wants to say. For the novice to arrive at this state of mind may require considerable thinking, but when he has discovered precisely what he wants to say, he should then endeavor to express his thoughts in the simplest and most direct manner. Should his first efforts be a failure, let him try again and again, until his expression is so clear that he cannot possibly be misunderstood.

Completeness. A complete letter is one that omits no fact or idea which is sought to be conveyed by the writer. A letter may be not only incomplete, but incomprehensible, when written upon the assumption that the person addressed is informed on certain matters, when, in fact, he is totally ignorant of them. Fullness of statement involving much detail may be absolutely necessary to attain the essential called completeness.

Coherence is obtained by grouping those ideas which are naturally related to each other and thus bringing them together in the same paragraph, or the same part of the letter. Coherence requires methodical and logical arrangement of the facts. Rearrangement of the sentences and paragraphs may be necessary to accomplish this.

Courtesy displays the civility or politeness of the writer. The salutation, the body of the letter, and the close may all contribute to this end. A discourteous letter should never be written in any circumstances, nor should the courtesy expressed be labored or unnatural.

Brevity or conciseness is desirable in a business letter *only* when it can be obtained without sacrificing any of the foregoing essentials; namely: clearness, completeness, coherence, and courtesy. By striving for brevity, one may become obscure and thus fail to accomplish the very object for which the letter was written. Again let it be urged that proficiency here, as in every other essential, requires practice, practice, practice.

Exercises

1. Write a letter to John W. Wardell & Co., Albany, N. Y., ordering four articles from their Grocery Department. Assume that you know the price of each article and inclose a money order for exact amount of bill. Have goods sent by Adams Express.

2. You are in the hardware business. Write to Messrs. Walter & Phillips, 241 Smithfield St., Pittsburg, Pa., ordering: 6 Ice-Cream Freezers, Arctic No. 1; 4 Refrigerators, size 10; 6 Carpet Sweepers, Bissell's No. 2; 3 kegs 8d Wire Nails; 6 Jack Planes, No. 102. Have goods shipped by fast freight on P. R. R. Ask for new catalogue of Yale Locks.

3. Reply to above order. State that goods ordered, except the refrigerators, were shipped to-day on P. R. R. as directed, and that invoice

is inclosed with this letter. Say that you will not be able to ship refrigerators for two or three days, as the recent demand for refrigerators has been so great as to exhaust your supply. Mention the mailing of catalogue as requested. Close with thanks for the order.

4. Write to John Wanamaker, Fourth Ave. and Ninth St., New York City, ordering 1 Rain Coat, size 42, price $28, and 1 Umbrella, size 26 in., price $2.65. Request these articles to be sent C. O. D.

Model Letter of Inquiry

155 Fifth Avenue, PITTSBURG, PA., May 5, 1909.

MR. JAMES T. FIELDS,
Youngstown, Ohio.

Dear Sir:

Mr. Samuel Watson of your city, who wishes to open an account with us, refers us to you for information with respect to his financial responsibility. We shall very much appreciate any information which you may be able to give us and shall regard it as confidential.

Thanking you in advance for the courtesy of a reply and assuring you that we shall be glad to reciprocate the favor at any time, we are

Very truly yours,
HENRY C. LOGAN & COMPANY.

Hints

There are a number of expressions and phrases peculiar to business correspondence which, although objected to by some as being stereotyped, are nevertheless serviceable and convenient. Replying to a business letter the following and similar introductory forms are frequently used:

In answer to your letter of April 4th
Replying to your favor of the 9th, inst.
In accordance with your request
We are in receipt of your letter requesting
In reply to your letter of the 8th, ult.

For closing, the following and similar forms are in general use:

Hoping to hear from you at an early date, I am
Thanking you for your trouble and patience in this matter, we are
Trusting that you may favor us with your patronage in the future, we remain
Regretting our inability to grant you this favor, we are
Trusting this information will be satisfactory, I am
Assuring you that this matter will receive our prompt attention,
A stamped envelope should always be inclosed in a letter of inquiry.

Exercises

1. Write a reply to the above letter acknowledging its receipt. Say that you have known Mr. Fields for many years, and that it gives you pleasure to say that he is a good business man and has the reputation of paying his bills promptly. Say that Mr. Fields has carried on his present business for ten years and is regarded as a properous merchant.

2. Write to Wm. G. Harris a letter of inquiry concerning David C. Stern, who wishes to purchase goods from you to the amount of $150, making monthly payments for same. State that any information bearing on his credit will be appreciated by you, and treated as strictly confidential.

3. Reply to the above inquiry, stating that you are acquainted with Mr. Stern; that you regret to say that he does not have the reputation of paying his bills promptly. State that at times he seems to be in a prosperous condition and is said to receive a good salary, but that more than once you have known him to be out of employment because of intemperate habits.

4. Write to Mr. David C. Stern, saying that you regret that you cannot sell furniture to him to the value of $150 on the monthly payment plan, as he has given neither security for payment nor satisfactory reference. Say that you will be glad to sell to him for cash and that on these terms he will be entitled to 10 per cent discount. Close with a wish that he may be able to accept these terms.

Model Letter of Introduction

84 West Fifty-second Street,
New York, Feb. 7, 1909.

Mr. Robert Wallace,
102 Euclid Avenue, Cleveland, Ohio.

Dear Mr. Wallace:

This letter will introduce to you my friend, Mr. William Foster, a young man who is worthy of your confidence and friendship. Mr. Foster has perfected an invention which he believes will be in demand in every printing establishment in the country, and is interested now in disposing of his patent rights for the State of Ohio. I have given him this letter believing that you or perhaps some of your friends may be interested in this matter.

Very truly yours,
Edward F. Mills.

Hints

Letters of introduction should not be sealed, as they are generally presented personally.

The word "Introducing," with the name of the person introduced, should be written in the lower left-hand corner of the envelope.

Read your letter carefully, and observe whether there are any omissions, words misspelled, or any word repeated too often.

Exercises

1. Write a letter to Mr. William Hammond, 502 Broadway, New York, introducing a young friend, Henry Miller, who wishes to find employment in Mr. Hammond's business. State that you have suggested to him the probability of his finding employment with Mr. Hammond; that you know the young man to be honest, intelligent, and capable. Close by saying that any favor shown him will be duly appreciated by you.

2. Write to James D. Lewis, 407 State St., Denver, Col., introducing your friend, Albert J. Higgins. Mr. Higgins goes to Denver to attend to business matters which will keep him there about two weeks. As he is a stranger there you think he would be pleased to make some social acquaintances. State that Mr. Higgins is a successful lawyer in your city and, like Mr. Lewis, a graduate of Columbia Law School. Any courtesies shown him will be fully appreciated.

3. Your friend, Thomas Patterson, is seeking a position as salesman in a wholesale carpet establishment. Write for him a letter of introduction to Samuel Kennedy, manager of the Dunlap Carpet Co., Philadelphia, saying that you know Mr. Patterson to be an honorable man, and that he will doubtless present testimonials relating to his business capacity which will be satisfactory. Add anything further which you may deem appropriate.

Model Letter, Requesting Payment

1932 Pine St.
PHILADELPHIA, PA., August 25, 1909.

Mr. GEORGE R. WILSON,
Reading, Pa.

Dear Sir:

On the 1st of August we mailed you a statement of your account which showed a balance in our favor of $82.50. We are obliged to call your attention again to your unsettled account as urgent demands are being made upon us at this time.

Hoping it may be convenient for you to send us your check in settlement at an early date, we remain

Yours truly,
GEORGE D. YOUNG & Co.

Hints

1. Bills or statements of account usually precede a dunning letter.

2. Before writing a letter of this character, try to determine whether the delay is due to oversight, indifference, or misfortune. In any case, however, the letter should be frank and courteous.

3. Demands for payment should not be written on postal cards, as one may by so doing become liable in some States for damages.

4. Do not make threats that you do not expect to carry out. As a last resort you may intimate that the aid of the law will be invoked.

Exercises

1. Write a reply to the above letter referring particularly to it. State that at the present time you are utterly unable to pay the bill; that you hope within a few weeks to be in better financial condition, and express your willingness to do what you can to settle this claim. Close by expressing regret that you cannot give a more satisfactory answer at this time.

2. Reply to the letter written from Exercise 1. Say to Mr. Wilson that his letter is not satisfactory. Ask him if it is not possible to pay some part of the debt now, if only $10, and at definite dates, from time to time, to pay a similar amount. Close by expressing a desire to hear from him soon.

3. Write to James Butler, Canton, Ohio, that you have called his attention several times to his unsettled account of $54.60, but as yet you have received no reply. State that unless you hear from him within a few days you will be obliged to put the claim in the hands of a collector. Close by expressing a hope that he will give the matter his immediate attention.

4. Reply to letter, Exercise 3. State that you had not replied to his letters because you had recently met with a severe financial loss, by reason of which it became impossible for you to meet these claims. Say that you are beginning to recover from this loss, and expect to pay all your debts before long; that you send a money order for $20, and hope to be able to pay the balance within a short time.

5. Mr. George Alexander, of Providence, R. I., is an old customer who is usually slow in making payments. On this occasion he has been more tardy than usual. You have sent him a statement showing his indebtedness to be $192.50. You need the money immediately but do not wish to press your claim so hard that you will offend and drive away a good customer. Write the letter requesting payment.

(For letters of application, recommendation, and circular letters, see pages 106, 107, 108.)

Filing Letters and Papers

In every well-conducted business house some system of filing letters is adopted by which the correspondence with every customer can be readily referred to. The vertical system, briefly described below, is probably the most convenient one now in use. Whatever system is used, however, it is presupposed that every important letter sent by the firm has, according to some one of the numerous processes, been copied.

Alphabetic card index. Gives instant reference, by number of folder, to any correspondence filed

The fundamental idea of the vertical system is to bring together in one folder (see illustration below) all the letters *to* and *from* each correspondent, and have them arranged vertically in a cabinet so that

Drawer for filing correspondence

they can with convenience and despatch be taken out and replaced without disturbing the other correspondence. The folders are indexed by numbers most conveniently arranged on the projecting edge, and every letter received, as well as the copy of every letter sent, is numbered according to the correspondent's folder.

To simplify the matter an alphabetical card index like that above

Folder

is used in connection with the vertical system. On the cards, alphabetically arranged, is written the correspondent's name, address, and the number of the folder in which all the correspondence pertaining to that particular customer may be found.

The vertical system is readily adapted to the filing of invoices, statements, vouchers, and all kinds of business papers to which reference at any time may be required.

For making copies of letters carbon paper is used, or the letter press.

PROMISSORY NOTES

The student should read carefully what has been said on this subject on pages 46 and 47; also, directions for indorsing on page 48.

$275.25 Albany, N. Y., March 5, 1908.

Sixty days after date I promise to pay to the order of James R. Whitney

Two hundred seventy-five 25/100 Dollars,

value received, at First National Bank.

No. 1. Due May 4, 1907 Frank L. Simpson.

As this note is payable in the State of New York no days of grace are allowed, and it therefore falls due on May 4. The actual number of days are counted to find when it falls due. Had this note read, "Two months after date," it would have fallen due on May 5. Days of grace have been abolished in more than half the States.

The above note being made payable to the order of James R. Whitney, it is said to be a negotiable note, and all of Mr. Whitney's rights and interests in the note may be transferred to John Doe when Mr. Whitney indorses and delivers it to Mr. Doe.

Consideration. A promissory note is a contract, and every contract to be enforced in law must have a consideration. Consideration is something of value given in exchange for the note; therefore, if Smith gives you his promissory note, for which you have given him nothing in return, you will not be able to compel him to pay, even if he has admitted that he signed the note. The case, however, is different if you transfer the note to a third party before it falls due, and this third party is not aware that it lacked consideration when you received it. The one who receives the note in good faith, under these conditions, can compel Smith to pay, although you could not. This peculiarity is one of the qualities of negotiability.

Form of Note. The law does not prescribe any set form for a promissory negotiable note, yet there are certain requisites of all negotiable paper which must appear on the face of the instrument. These requisites, as applied to a note, are five in number, and every

business man should know them. They are as follows: 1st A negotiable note must contain one or the other of these two words, "order" or "bearer." 2nd The amount must be payable in money. A promise to pay in merchandise would not be negotiable. 3rd The amount must be specified and certain. A promise to pay Jones "$50 and whatever else I owe," is too indefinite. 4th The time of payment must be certain to come. A promise to pay when A becomes of age is uncertain, as A may not live to come of age. 5th The promise must be unconditional. A promise to pay if profits are realized is not negotiable. These are called the five requisites of form.

Conditions of Negotiability. There are five conditions of negotiability: The first is that the note shall have all the five requisites of form, as described above. Second, that it shall be transferred in the proper manner; that is, by delivery, if payable to bearer, or indorsement and delivery, if payable to order. Third, that there shall be some consideration for the transfer. Fourth, that it must be transferred before it becomes due. Fifth, that the one who receives it must not be aware that it has defects not revealed on its face.

When one holds a note which is lacking in any of these conditions his claim against the maker is no better than that of the one from whom he received the note.

Indorsements are of various kinds, and may be made in such a manner as either to limit or to enlarge the liability of the indorser. Observe the following forms:

BLANK INDORSEMENT.
James P. Whitney.

SPECIAL INDORSEMENT
OR
INDORSEMENT IN FULL.
Pay to the order of
John Doe.
James P. Whitney.

QUALIFIED INDORSEMENT.
James P. Whitney,
without recourse.

RESTRICTIVE INDORSEMENT.
Pay to John Doe
only.
James P. Whitney.

The blank indorsement, and the special indorsement or indorsement in full are the forms most frequently used in business. It has been decided that any one holding a note or negotiable paper which is indorsed in blank may himself convert it into an indorsement in full. Thus, in the blank indorsement above, John Doe may, if the note is

transferred to him, write above the name of James R. Whitney the words, "Pay to the order of John Doe." Indorsement is said to be a contract by which the indorser guarantees the payment of the note in case the maker does not pay. But if one should make use of the qualified indorsement by writing under his name the words, "without recourse," he could not be held responsible as indorser for the payment of the note. This, however, is an unusual indorsement and always casts suspicion upon the ability of the maker to pay.

It is of the utmost importance that the business man should know exactly what his liability is as an indorser, for the law on this point is very exact. The indorser is liable for payment of the note only on the following conditions: 1st that demand by the holder of the note be made of the maker on the very day the note falls due. 2nd that on failure of the maker then to pay, notice of this fact, coupled with a demand for payment, must be sent to the indorser not later than the last mail on the day following. The neglect to comply strictly with either of these conditions will release the indorser entirely, and the holder of the note can look only to the maker for payment.

Notes are usually made payable at a bank where an officer, known as a Notary Public, makes demand of payment, sends notice to the indorser, and attaches his official seal to these papers. This is called protesting the note. In the absence, however, of a Notary Public any holder of a note, or his agent, may demand payment of the maker, and upon his failure to pay send notice to the indorser or indorsers.

When one signs a note or paper as an agent he should sign first the name of the person or company for whom he is acting, and then add his own signature as agent, thus: George Williams & Co.,' by James Clarke, agent. Carelessness in this matter may make the agent himself personally liable.

Notes are frequently received in settlement of accounts, and this may sometimes be an advantage and at other times a disadvantage to the creditor. A debtor is more likely to try to pay when his promise is in writing, and the creditor may be able to raise money on the note by having it discounted at the bank. But on the other hand, the amount cannot be collected till the note is due, and the debtor may have disposed of all his property and departed before that day arrives.

Exercises

1. Write a note for $648.00. Place, Rochester, N. Y. Date, April 4, 1907. Time, 60 days. Payee, Wm. H. Dunton. Maker, yourself. Payable at First National Bank.

Write for Mr. Dunton an indorsement in full to Henry Stokes. Keep for further use this note, also those in the following exercises.

If Mr. Stokes has this note discounted at the First National Bank, on April 24, at 6%, how much is the discount, and how much will he receive as net proceeds?

Observe that the above note falls due June 3, and the number of days for which the note is discounted, from April 24 to June 3, is 40 days. Had this note read, "Two months after date," instead of "Sixty days after date," it would have fallen due on the corresponding day of the month, i. e., June 4.

To determine when a note falls due, or in counting the days for discount, the first date should be excluded but the last included.

Calculating Interest and Discount

On page 188 is found a short method for reckoning interest. Applying it to the above example in which the bank discount is required on \$648 for 40 days, at 6%, we have the following:

Operation	Analysis
6).648 .108 40 \$4.320	The interest @ 6% on \$648 for one year, or twelve months, is $648 \times .06 = \$38.88$, and for two months, or 60 days, it is $\$38.88 \div 6 = 6.48$. Instead of multiplying and then dividing by six, point off two places to the left for the interest for two months or 60 days. As 6 days is $\frac{1}{10}$ of 60, the interest for six days is obtained by moving the decimal one point further to the left.

As this is the interest at 6%, for 1% divide 4.32 by 6 and multiply the result by the rate desired.

Bank discount is merely simple interest on the face of the note from the day of discount to the date on which the note falls due. The method above is based on 360 days to the year, and produces what is called ordinary interest. To find the interest on the basis of 365 days to the year it is only necessary to subtract $\frac{1}{73}$ of the result. Thus, \$4.32—.059 ($\frac{1}{73}$ of 4.32) = 4.26.

2. Write a note for \$720.60; Date, April 15, 1907; Place, Rochester, N. Y.; Time, 3 months; Payee, Chas. S. Hadley; Maker, yourself. Write for Mr. Hadley his blank indorsement on this note. (See entry in bill book, page 258, for these notes.)

The above note was discounted at bank on April 20, @ 6%. Required discount and net proceeds.

3. Write a note for \$258. Date, May 12, 1907; Place, Rochester, N. Y.; Time, 90 days; Payee, yourself; Maker, Robert Blake.

Indorse this note in full to First National Bank, and have it discounted on May 14 @ 6%. Required amount of discount and net proceeds.

4. Write a note for $541.20. Date, May 24, 1907; Place, Rochester, N. Y.; Time, 2 months; Payee, yourself; Maker, Jacob Keith.

Indorse this note to First National Bank, and have it discounted May 25, at 6%.

The above four notes should be properly entered in your bill book.

5. Your note to Frank Esser for $185.40, dated January 22, 1906, for 3 months, was discounted at bank on February 8, @ 6%. Required the discount and net proceeds.

6. You have had discounted on March 10, Arnold & Co.'s note to you for $294, dated March 7, for 90 days; rate of interest, 6%. Required discount and net proceeds.

7. Find discount and net proceeds on the following notes:

	Date of Note	Time	Face of Note	Date of Discount	Rate
a	January 15	60 days	$840.00	January 25	6%
b	March 9	30 days	282.60	March 9	7%
c	April 15	2 mos.	427.20	April 17	5%
d	May 10	90 days	325.75	May 10	6%
e	June 4	1 mo.	787.80	June 5	5%
f	September 7	3 mos.	962.70	September 7	5%
g	October 12	60 days	1240.65	October 15	4%
h	April 8	4 mos.	1872.40	April 8	6%
i	May 21	90 days	1475.85	May 22	6%

8. Write a note for $1248.00. Date, March 2; Place, Buffalo, N. Y.; Time, 4 months; Payee, Wm. F. Jones; Maker, yourself; Payable with interest from date @ 5%.

Notes generally draw interest only from the day they fall due, and not from the day of date, unless so stated, as in the above exercise.

You have discounted this note on May 15 @ 6% and paid net proceeds in cash. Required amount of discount and net proceeds.

Solution. The note falls due July 2. The interest @ 5% on $1248 for 4 mos., or to July 2, is $20.80, which, added to face of note, equals $1268.80. The discount on the amount of the note $1268.80 for 48 days (from May 15 to July 2) is $10.15, and the net proceeds are $1268.80 − $10.15, or $1258.65.

9. Write a note for $985.75; Date, May 7; Place, Yonkers, N. Y.; Time, 3 months; Payee, yourself; Maker, Horace White; Payable with interest from date at 5%. How much is required to settle this note June 10, discount 6%?

10. Find when the note falls due, the number of days for which it was discounted, and the amount of discount and net proceeds.

	Date of Note	Time	Face	Rate of Int.	Date of Disct.	Rate of Disct.
a	August 4	6 mo.	$2500.00	4%	October 4	6%
b	September 12	90 days	1850.00	5%	November 2	6%
c	May 15	4 mo.	3200.00	5%	June 5	6%
d	June 2	60 days	3550.00	6%	July 10	5%

Part Payment of a Note

When a note is paid in part the amount so paid should be written on the back of the note. In an interest-bearing note the amount remaining unpaid continues to draw interest until paid. For the solution of problems involving partial payments, the two rules generally used are called United States Rule and Mercantile Rule. For the problems which follow the Mercantile Rule only has been used. The student should consult his Commercial Arithmetic if he is not already familiar with the rules bearing on this subject.

11. On a note for $4200, dated January 2, 1906, drawn for one year, bearing 6% interest, were indorsed the following payments: Paid March 15, $1200. Paid June 1, $500. Paid September 1, $1000. What amount remained due on January 2, of the following year?

SOLUTION

Face of Note		$4200.00
Interest for one year		252.00
Amount, January 2, 1907		$4452.00
First Payment, March 15	$1200.00	
Interest on above to January 2, 1907 (9 mos., 18 ds.)	57.60	
Second payment, June 1	500.00	
Interest on above to January 2, 1907 (7 mos., 1 d.)	17.58	
Third payment September 1	1000.00	
Interest on above to January 2, 1907 (4 mos., 1 d.)	20.17	2795.35
Balance due January 2, 1907		$1656.65

12. On a note for $2500, dated January 15, drawn for 9 months, bearing 6% interest, were indorsed the following payments: Paid March 15, $500. Paid, May 15, $500. Paid July 15, $300. What amount remained due Oct. 15?

13. On a note for $3500, dated February 10, 1907, drawn on demand, were indorsed the following payments: Paid March 20, $700. Paid May 5, $400. Paid May 28, $300. How much remained due September 25, 1907, at 6%?

14. On a note for $1850, dated March 1, 1906, drawn on demand, were indorsed the following payments: Paid May 4, $650. Paid June 10, $475. How much remained due Nov. 1, 1906, at 6%?

15. On a demand note for $2980, dated April 1, 1906, were indorsed payments as follows: Paid June 2, $550. Paid August 15, $800. Paid September 15, $600. How much remained due December 15, 1906, at 5%?

Model

Bills

			Bills Receivable Dr.			*Bills Receivable Cr.*			
NO.	WHEN RECEIVED	WHEN PAID	F.	WHOSE ACCT.	AMOUNT	F.	HOW PAID	AMOUNT	MAKER OR DRAWEE
	1907								
1	May 14			Robt. Blake	$258.00				Robert Blake
2	May 25			Jacob Keith	541.20				Jacob Keith
3	June 3			John Archer	420.00				William Bailey

Bills

			Bills Payable Dr.			*Bills Payable Cr.*			
NO.	WHEN GIVEN	WHEN PAID	F.	HOW PAID	AMOUNT	F.	WHOSE ACCT.	AMOUNT	MAKER OR DRAWEE
	1907								
1	April 4						Wm. Dunton	$648.00	Student
2	April 15						Chas. Hadley	720.60	Student
3	May 7						Chas. Adams	380.00	Student

As the cash account has, in actual practice, been removed from the ledger, there is no reason why the Bills Receivable and Bills Payable accounts should not be treated in the same way. Above is given a combination form including the Bills Receivable account, the Bills Payable account, and Bill Book which can be used to advantage by making the entries in the following manner: When a note is received, make the usual bill-book entry with all its details, and in the Bills Receivable Dr. column enter the amount and show whose account is to be credited. Then turn to the ledger and credit his account. When the note is paid, enter in Bills Receivable Cr. column the amount showing how paid. If paid in cash then make the entry also in the cash book at the same time, marking it B.B., to show that the amount is already posted. When a trial balance is made enter on that sheet the difference between the Dr. and Cr. side of the Bills Receivable account. If the Bills Payable account is treated in a similar way no account need then be kept in the ledger with either Bills Receivable or Bills Payable.

Review

1. What is a negotiable note? **2.** What two things are necessary to the transfer of the note found on page 252? **3.** What is consideration as applied to a note? **4.** Can a note without consideration be enforced between the original parties? **5.** Who are the original parties in an ordinary note? **6.** Can the indorsee or subsequent party enforce payment if he is

Bill Book

Receivable

DRAWER OR INDORSER	IN WHOSE FAVOR	FOR WHAT RECEIVED	WHERE PAYABLE	DATE	TIME	WHEN DUE	REMARKS
	Student	Merchandise	First National Bank	1907 May 12	90 ds.	1907 Aug. 10	
	Student	On %	"	May 24	2 mo.	July 24	
John Archer	Student	On %	"	June 3	10 ds.	June 13	

Payable

DRAWER OR INDORSER	IN WHOSE FAVOR	FOR WHAT GIVEN	WHERE PAYABLE	DATE	TIME	WHEN DUE	REMARKS
	Wm. Dunton	Merchandise	First National Bank	1907 April 4	60 ds.	1907 June 3	
	Chas. Hadley	On %	"	April 15	3 mo.	July 15	
Chas. Adams	Geo. Barton	On %	"	May 7	10 ds.	May 17	

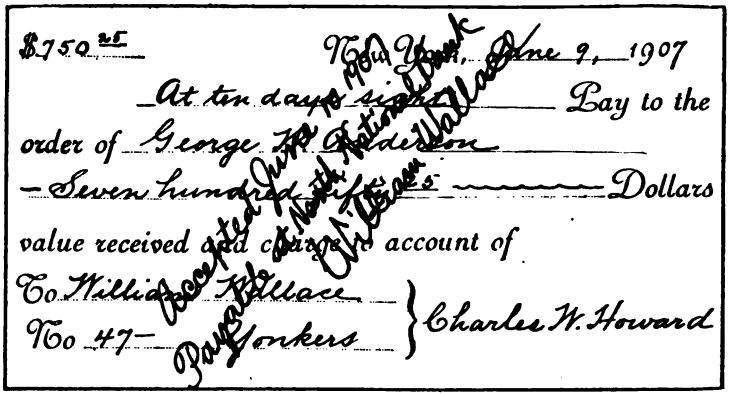
ignorant of the lack of consideration? **7.** Does the law prescribe any set form for a note? **8.** How many requisites are there in the proper form of a negotiable note? **9.** Name and illustrate each. **10.** How many conditions of negotiability are there? **11.** Define and illustrate each. **12.** What forms of indorsement are most frequently used? **13.** How can one protect his own interest in a note which has been indorsed to him in blank? **14.** What does an indorser guarantee to do? **15.** How may one indorse to avoid the usual liability of an indorser? **16.** Is the indorser in full absolutely or conditionally responsible for the payment of the note? **17.** Mention the conditions upon which the indorser is liable. **18.** When should demand for payment be made? **19.** Is the maker released by neglect to demand payment when the note becomes due? **20.** What step must be taken to fix the liability of the indorser? **21.** What is a Notary Public? (See page 239.) **22.** What is his business in relation to negotiable papers? **23.** What is protesting? **24.** How should one sign a note as agent? **25.** Mention some advantages and disadvantages of taking a note in payment of a debt. **26.** Does 60 days mean two months in estimating the maturity of a note? **27.** What day is excluded and what day included in counting time? **28.** When a note is paid in part when should the payment be acknowledged? **29.** Do notes generally bear interest? Explain. **30.** How do you find the discount on an interest-bearing note? **31.** Explain the method of using the bill book so that the accounts Bills Receivable and Bills Payable may be removed from the ledger.

DRAFTS

The student should review all the questions on page 52 relating to Drafts before beginning these exercises.

Form of Draft

ACCEPTANCE



Drafts may be drawn at sight, or any number of days after sight, or on demand, or any number of days after date. A draft is an order, while a note is a promise. After the draft has been accepted it is, in effect, a promise to pay, and the one who accepts is under the same obligation to pay as if he had given his note.

When one accepts a draft of any kind, the date of acceptance should always accompany the word "Accepted," and the acceptor's name. In a draft drawn any number of days after sight, the date of acceptance is of special importance, as it fixes the date on which the draft falls due. It is usual in an acceptance to state also the place at which the draft is payable. See form of accepted draft above.

Drafts are used extensively in the collection of money from customers at a distance. Usually a notice is first sent to the debtor, stating that if payment is not received within a certain number of days he will be drawn upon for the amount. Such a draft drawn on a debtor is sometimes called a two-party draft, as the drawer and the payee are one and the same person. No one is obliged to accept a draft drawn upon him, but if it is not accepted it is said to be dishonored. Frequently the draft is sent through a bank and then presented by a messenger to the debtor, who either pays it, if a sight draft,

accepts it, if a time draft, or refuses to do either, that is, dishonors it. On some drafts, attached to the end, is a small slip with the words, "No Protest. Tear this off before presenting." This merely informs the banker, or the one who is to present the draft, that he is not authorized to protest the draft in case the debtor does dishonor it. When a draft is sent directly to the debtor this small slip should first be torn off.

Bills of Exchange. In the "Negotiable Instruments Law" passed in New York in 1897, and later in 18 States, the term "bill of exchange" is invariably used in place of the word *draft*. Using the language of the law, an inland bill of exchange is a bill which is, or, on its face, purports to be, both drawn and payable within the State. Any other bill is a foreign bill. It may be well to bear in mind this distinction, as the law requires that foreign bills, that is, bills drawn in one State and payable in another, should be formally protested when dishonored, either by non-acceptance or non-payment, and if not so protested the drawer and indorsers are discharged. Although an inland bill need not be formally protested, yet in order to hold the drawer and indorsers responsible, notice of dishonor should be immediately sent to them. Protest may be made by a notary public, or by any respectable resident of the place in the presence of two or more creditable witnesses.

Accommodation paper may be in the form either of notes or drafts. An accommodation note being the simplest will be considered first.

A, whose credit is good, may desire to accommodate B with the loan of money, but not having any at hand he can give his note to B who takes it to the bank, has it discounted, and receives the net proceeds in cash. Such a note, made by A, is called an accommodation note. When it becomes due, if B is not able to repay the loan by taking up the note, A will be obliged to pay it, although the bank may know that there was no consideration between the original parties. Thus we see that accommodation paper is an exception to the general law applicable to negotiable instruments.

Accommodation drafts may be drawn in two ways. You, wishing to accommodate Mr. Smith, may draw on Jones in favor of Smith and in this way accomplish your purpose. Ordinarily, if such a draft should not be paid the payee, Mr. Smith, could collect from you, but in this case he cannot because you can show that the draft was an accommodation draft. Another form of an accommodation draft to accomplish the same end, would be one in which Smith draws the draft directly on you. After you have accepted it, Smith may take it to the bank, have it discounted, and obtain the net proceeds.

When you are about to receive a draft, note, check, or other negotiable paper, see that (1) it is not overdue; (2) that it has been properly

indorsed and transferred; (3) that it has no defects of which you are aware; (4) that it has the five requisites of form, viz: (*a*) contains the words order or bearer; (*b*) payable in money; (*c*) certainty in amount; (*d*) certainty in time of payment; (*e*) unconditional promise.

Exercises

1. John C. Archer has drawn a draft in your favor for $420, on William Bailey, at ten days' sight, dated at Rochester, N. Y., June 2, 1907. Write the above draft and the acceptance, dating it June 3, 1907, payable at First National Bank. Make the entry in your bill book. (See entry in bill book, page 258, for this draft and the one following). Also indicate on journal paper the accounts to be debited and the account credited for this transaction, thus:

Bills Receivable
To John C. Archer.

2. Chas. B. Adams has drawn a draft on you for $380 in favor of Geo. L. Barton, at ten days' sight, dated May 5, 1907. Write the draft, also your own acceptance, dating it May 7, payable at First National Bank. Make the entry in bill book and the journal entry.

Note.—In this and in the following exercises the student should make the journal entry for each party to the draft.

3. Draw a draft at five days' sight on W. S. Arnold & Co. in favor of Samuel S. Baker for $495.75, dated at Rochester, N. Y., April 15, 1907. Write the acceptance for Mr. Baker, dating it April 16, 1907. Should this be entered in your bill book? Make the journal entries.

4. Draw a sight draft on H. S. Bright in your own favor for $325.50, date May 9, 1907. Mr. Bright sends the cash in payment of this draft. What are the proper journal entries?

5. William M. Brown has drawn a sight draft on you in his own favor for $500, dated at Utica, N. Y., June 1, 1907. Write the draft. Does this draft require acceptance? Suppose you have paid it in cash what is the journal entry?

6. Bradley & Adler, on June 20, 1907, have drawn on you 30 days after date for $1200, in favor of Frank Clawson. Write the draft and your acceptance, dating it June 22, 1907. Make the entry in bill book, also the journal entries.

7. Frank C. Leonard has accepted on July 15, 1907, a draft in your favor for $654, drawn by H. C. Parsons on July 14, 1907, at 60 days after date. Make the bill book and journal entries. On July 18 you had this draft discounted at the First National Bank @ 6%, receiving net proceeds in cash. Find amount of discount, net proceeds, and make journal entry.

8. A draft in your favor for $738.75, drawn by Russell & Ward on John Miller, at 30 days' sight, dated July 27, and accepted July 27, was discounted for you by First National Bank on the day of acceptance. How much cash did you receive in net proceeds, rate being 4%? Make journal entries.

9. A draft for $995, drawn August 3, 1907, by Isaac N. Smith on John D.

Moore, in favor of S. S. Ward, at 60 days after date, being duly accepted, has been indorsed to you in payment of a debt by S. S. Ward on Aug. 15, 1907, at which time you have had it discounted at First National Bank at 5%. Required amount of discount, net proceeds, and journal entry.

Review

1. In what different ways may a draft be drawn? **2.** How does a draft differ from a note? **3.** What is the obligation of the acceptor of a draft? **4.** How should acceptance be made? **5.** What difficulty may arise from a neglect to date the acceptance? **6.** What is the general purpose of a draft? **7.** In what way are drafts frequently used? **8.** Is one obliged to accept a draft drawn upon him? **9.** What is the result of a refusal to accept? Explain. **10.** Describe the process of collecting by draft through the bank. **11.** Explain "No protest. Take this off before presenting." **12.** What term in law is used to express what is known to the merchant as drafts? **13.** Describe according to the legal terms an inland and foreign bill of exchange. **14.** What is said about protesting each? **15.** By whom may protest be made? **16.** What do you understand by accommodation paper? **17.** Describe or illustrate an accommodation note? **18.** To what general law is accommodation paper an exception? **19.** Illustrate the two forms of accommodation drafts. **20.** When you are about to receive a draft, note, or other negotiable instrument, what four things should you closely observe? **21.** Describe each of the five requisites of form? **22.** Can you apply each of these requisites to a draft?

CHECKS AND CHECK BOOK

Review the questions on page 57 before beginning these supplemental exercises.

Form of Check

No. *1* Elmira, N. Y., *Jan. 2*, 19*07*.

MERCHANTS NATIONAL BANK

Pay to the order of *Henry S. White* $*750*$^{25}_{100}$

Seven hundred fifty $^{25}_{100}$ Dollars,

James F. Wilson.

Before you can make use of the above form you must have an account with the Merchants National Bank.

To open such account you should be introduced to the cashier and identified by some one known to him. After you have written your name in the signature book, or on a signature card, in the style which you expect to adopt in signing and indorsing checks, you will receive a deposit slip like that below. In this slip you will fill out the blank spaces by writing your name, the date, and character of the deposits. The specie—gold and silver—should be entered first, then the bills—paper money—and finally, the footing should be entered. Each time a deposit is made hereafter you should use a deposit slip.

Form of Deposit Slip

MERCHANTS NATIONAL BANK

DEPOSITED BY

James F. Wilson

Elmira, N. Y., *Jan. 2, 1907*

PLEASE LIST EACH CHECK SEPARATELY

Specie		
Bills	*2850*	—
Checks		
"		

Pass Book

Dr. Merchants National Bank in					*acct. with James F. Wilson*				*Cr.*
Jan.	*2*	*Cash*	*2850*	—					

You will receive, also, a small bank book, like the one above, in which you will be credited for your deposits. This book is the only

evidence given by the bank of your deposit. From time to time the receiving teller will balance your bank book and return it to you with the paid or cancelled checks. These cancelled checks should be kept by you as they furnish the best possible evidence of payment in case of dispute. The balance shown in your bank book should, if the record is complete, agree with the balance in your check book.

Check Book

(Left page of Check Book).				*(Right page of Check Book)*	
DEPOSITS		CHECKS		CHECK STUB	CHECK
2850	—	*No. 1*	*750*	No. *1.* Date *Jan. 2* 1907. Pay to *Henry S. White.* $*750 00* For *account.*	
				No. Date Pay to $ For	
				No. Date Pay to $ For	

The student being provided with a check book and having deposited in the Merchants National Bank $2,850, he should now enter this amount in the stub of his check book he will then be ready for the following exercises.

Exercises

1. Draw a check for $750.25, dated January 2, 1907, in favor of Henry S. White.

You should exercise more than ordinary care in filling out the blank spaces in a check, for if through your carelessness some one raises the check it will be your loss. The words "Seven" and "hundred" should be properly spaced so that it is not possible to change "Seven" to Seventeen and the "7" in the figures should be written close to the dollar mark; otherwise

the above check in the hands of a rascal might be made to read $1,750.25. Numerous devices have been invented to make it difficult or impossible fraudulently to alter the amount of a check. At the present time many banks are having their blank checks printed on tinted paper which reveals at once any attempt at erasure. When the written amount and the figures differ the amount expressed in writing prevails. This is true of all commercial paper.

Time of payment. A check is a sight draft on a bank and should be presented for payment within a reasonable time. What is a reasonable time depends on circumstances. If, in the above case, the First National Bank should fail before Henry S. White receives this check or has had time to present it for payment, you of course are still liable to Mr. White. But if he should not present it within a reasonable time, and the bank should fail, the loss will be his and not yours. As a general rule a check should be presented within a day after it has been received.

Identification. If Henry S. White, the payee in the above check, is not known at the National Bank, it will be necessary for him in some way to be identified before the paying teller will cash the check. Mr. White may, however, get it cashed if his friend who has an account in this bank will write his name on the back of the check.

Had the check been payable to bearer, instead of to the order of Henry S. White, it might have been paid without Mr. White being identified, but the practice of the banks is growing more strict, and many banks would require assurance that the check was intended for Mr. White before they would pay it, no matter what its form might be.

Indorsing. A check payable to your order requires that your name shall be written across the back before it will be paid. This is your indorsement. If you send to the bank for deposit a check payable to your order, write the words "For Deposit" over your indorsement. Then if the check should be lost the finder could not use it. Remember that an indorsement in blank makes the check payable to bearer and that you have the right to insert above a blank indorsement words that will make it an indorsement in full.

If you wish to have your own check cashed, having drawn it payable to your own order, the bank will require you to indorse it. The better way in this case is to make your check payable to cash.

It is a custom with banks before paying a check to request in all cases that the payee write his name on the back, even when the check is payable to bearer.

When a person wishes to stop payment on a check he has issued he may do so at any time before the check is presented by notifying the bank not to pay.

If your note or acceptance is made payable at your bank the bank will consider such paper as an order from you to pay and will consequently deduct the amount from your account. You should make an entry in the stub of your check book just the same as though you had drawn a check. In some places, however, the banks do require a check to be drawn in such cases.

Certification. The "Negotiable Instruments Law" says: "Where a check is certified by the bank on which it is drawn the certification is equivalent to acceptance. Also when the holder of a check procures it to be accepted, or certified, the drawer and all indorsers are discharged from liability thereon."

When a check is certified the amount is immediately deducted from the account of the drawer and is set apart for the payment of that particular check. For this reason, if one should procure the certification of a check and afterwards for some cause decide not to use it, he should immediately return it to his bank, so that his account may be credited for the amount. Otherwise he will have trouble with his bank account.

Dating a check ahead is disapproved by the banks. In case of the death of the signer the check is worthless.

2. Draw check No. 2 on the Merchants National Bank for $227.50 in favor of George S. Gates; Date, Jan. 4, 1907. Number the check, also the stub. Detach the check and place it in an envelope marked "Outgoing Papers." Do this with all checks drawn by you.

3. Draw a check, No. 3, on your bank for $315.60 in favor of A. W. Gifford. Date, Jan. 6. Make the proper entry in check book, and show the balance after deducting amount of the last three checks.

4. You have received from Charles E. Fairchild on account a check on the Mechanics Bank for $87.50, payable to your order. Indorse this check properly for deposit. Fill out deposit slip, place both papers inside your bank book, and have your messenger make the deposit for you in the Merchants National Bank. Make the proper entry in the check book.

5. Draw a check on your bank in favor of John C. Foster for $25.00. Date, January 8, 1907. Mr. Foster is a stranger to your bank. Write the check so that he can have it cashed without going to the trouble of being identified. Make the entry in check book.

6. You wish to draw from the bank $50 for petty expenses. Write the check so that it will not call for your indorsement. Date, Jan. 10, 1907.

7. You have received from Albert Freeman in payment of his note due this day, January 12, 1907, his check for $312.50, which you have deposited. At the same time you deposited cash amounting to $178.50. Make the entries in check book.

8. Draw a check for $520 in payment of your note which is due this day, January 15. The payee, Edward Davis, returns your note to you when he receives your check. Make the entries in check book.

Form of Bank Draft

No. *481* Elmira, N. Y., *Jan. 4, 1907.*

MERCHANTS NATIONAL BANK

Pay to the order of *James F. Wilson.* $*924*^{92}

Nine hundred twenty-four^{92} Dollars,

To CHEMICAL NATIONAL BANK, New York } *George R Nelson.* Cashier.

A Bank Draft is a check or order drawn by one bank upon another.

As New York City is the financial center of the United States nearly every large bank throughout the country keeps money on deposit in one or more of the New York City banks. Upon such deposits out-of-town banks draw their drafts, and sell them to their customers at a small premium. These "Drafts on New York," as they are called, provide a safe, convenient, and common way of making remittances, and are regarded as good as cash in the ordinary business transaction.

Illustration. If you are a merchant doing business in Elmira, and had purchased a bill of goods from H. B. Claflin & Co., New York, to the amount of $924, you could go to your bank, the Merchants National, and there buy a draft on New York which will correspond with the above form. You may pay for it in cash, or better still, pay for it by drawing your check on your own bank for $924, plus the premium. Instead of making your check payable to Merchants National Bank, the custom is to make it payable to New York Draft for $924 and Exchange, 92 cents. The New York Draft, which your bank now hands to you, is made payable to your order and not to the order of H. B. Claflin & Co., although some merchants still follow the latter form. You should now indorse this draft in full to H. B. Claflin & Co. before mailing it. In this form the draft itself is evidence of payment by you. The convenience of this method of making remittances is obvious when you consider that if you had sent your check directly to H. B. Claflin & Co., they would, if you were a stranger, probably have delayed sending the goods till they had learned that your check was good; besides the check would have to be sent back to Elmira for collection, thus entailing expense and delay.

9. Draw a check on the Merchants National Bank for $924.92 in payment of a New York Draft which you wish to send to H. B. Claflin & Co. in settlement of their bill of $924. The 92 cents is exchange charged by your bank for the Draft. Draw also the New York Draft and indorse it properly to H. B. Claflin & Co. Make the entry in check book.

10. Draw a check on your bank for $402.40, in payment for a draft on New York, which you will send to Ogden & Marsh, 220 Broadway, New York, in settlement of their bill for $402. Your bank charges you 40 cents for the draft. Write out the draft, indorse it, and make proper entries in check book.

11. Purchase from your bank a Draft on New York for $590, payable to your order. Draw your check for $590.59 to include the cost of exchange. Write also the draft and indorse it in full to Edgar Brown.

Review

1. Describe the manner of opening an account with the bank. **2.** What is the object of the bank in requiring you to write your name in the signature book? **3.** What evidence do you possess showing that you have money in the bank? **4.** What disposition is finally made of paid or cancelled checks? **5.** Of what possible value may they be to you? **6.** How can you verify your bank balance as shown by the check book? **7.** What is sometimes the result of filling out a check carelessly? **8.** If, in any negotiable instrument, the figures and the amount in writing differ which will prevail? **9.** Briefly expressed, what is a check? **10.** When should a check be presented for payment? **11.** If you hold a check beyond a reasonable time and the bank fails, whose loss is it? **12.** In general what is a reasonable time for presenting a check? **13.** How can you procure at a strange bank payment of a check drawn to your order? **14.** How may a check be drawn to avoid the necessity of identification? **15.** Could the finder of a check payable to bearer get it cashed in the bank? **16.** How could you have prevented the finder from using a check indorsed to you in blank or payable to bearer? **17.** How would you draw a check if you wanted the money for your own use? **18.** Certifying a check resembles what act in relation to an ordinary draft? **19.** How is your bank account affected by certification? **20.** If you have made your note payable at your bank what action will the bank take? **21.** How can you stop payment on a check issued by you? **22.** What should one do who has finally decided not to use a check which he has caused to be certified? Explain.

BILLS AND INVOICES

A Bill is an itemized statement of goods sold or services rendered. See forms on pages 41 and 42.

An Invoice may be defined as a written list of articles of merchandise shipped to a consignee, or sent to a purchaser with prices and charges annexed.

Although these terms may sometimes be used interchangeably, the distinction in the exercises given below is as follows: When the goods are bought by you from the jobber, or wholesale merchant, the list

will be called an Invoice, but when sold by you at retail, the list will be called a Bill.

Form of Invoice

RICE, WALLACE & COMPANY

WHOLESALE GROCERS

Chicago *May 4, 19—*

Sold to *James K. Baker & Co.*
Belleville, Ill.

Terms, *2/10 n/30 days.*

✓	5	bbl. Pastry Flour @ $5.50	27	50	
✓	8	bbl. XXX Flour @ $4.75	38	00	
✓	3	bbl. A Granulated Sugar, 320 lb. @ 5¢	16	00	
✓	6	boxes Laundry Soap @ $3.90	23	40	104 90
		O.K. J.C.W.			

When an invoice like that above is received, it should, as soon as the goods are delivered, be verified by comparing each article with the items in the invoice, and making a check mark opposite each one that is correct. The multiplications and extensions should be verified, also the addition. When discounts are made, see that they are correctly computed and deducted.

After the invoice is found to be correct in every respect it should be marked "O. K." or "Correct."

Observe the terms of sale printed at the head of the invoice. These terms vary and may require a word of explanation. Terms 30 days mean that the purchaser has 30 days in which to pay the bill and that then it is legally due. Terms, Cash in 30 days less 5%, mean that a discount of 5% will be allowed on the amount if the bill is paid within 30 days. Terms, Net 60 days, or 2% discount in 30 days, or 5% discount in 10 days, mean that the net amount is due in 60 days; if paid within 30 days 2% of the bill will be deducted, and if paid within 10 days, 5% will be deducted. The above expressions are often shortened thus: 5/10, 2/30, n/60. Some houses, in order to secure a sale, will date the invoice three or more months ahead.

Price-List

		QUANTITY	COST	SELLING PRICE
1	Amazon Cloth	yd.	.95	$1.20
2	Black Mohair	yd.	.75	1.00
3	Bone Buttons	gro.	.12½	.17
4	Corticelli Silk	doz.	.88	1.08
5	Chiffon Broadcloth	yd.	1.50	1.95
6	English Serge	yd.	1.35	1.50
7	Duchesse Lace	pc.	2.30	2.85
8	Fownes's Kid Gloves	doz. pr.	13.50	1.50
9	French Organdies	yd.	.37½	.50
10	Flannelettes	yd.	.10½	.12½
11	Gilt Buttons	gro. doz.	1.62½	.18
12	Indian Head Duck	yd.	.12½	.15
13	Lonsdale Cambric	yd.	.09¾	.12½
14	Linen Torchon Lace	pc.	.85	1.15
15	Merrimac Percales	yd.	.10½	.12½
16	Men's Cashmere Half Hose	doz. pr.	5.60	.55
17	Manchester Gingham	yd.	.07½	.09½
18	Nearsilk Lining	yd.	.12½	.18
19	O. N. T. Cotton	doz. ea.	.45	.05
20	Premier Black Silk	yd.	.77½	1.05
21	Royal Shaker Flannel	yd.	.22½	.30
22	Read's Lansdown	yd.	.90	1.25
23	Striped Denim	yd.	.08½	.10
24	Scotch Cheviot	yd.	.40	.50
25	Storm Serge	yd.	.62½	.75
26	Taffeta Silk	yd.	.85	1.00
27	Venetian Cloth	yd.	.98	1.20
28	Wash Silk	yd.	.27½	.45

From the price-list on the above page you should make out invoices and bills in accordance with the exercises below. Verify as far as you can each invoice and bill before it passes out of your hand.

Exercises

1. You have purchased from Allerton & Moore this day an invoice of goods as follows: 6 doz. Fownes's Kid Gloves; 12 doz. Men's Cashmere Half Hose; 6 pc. Duchesse Lace; 12 pc. Linen Torchon Lace. Terms 30 days.

Write the terms for each bill. In making invoices consult the prices given in the cost column. For bills consult the selling prices. When the invoice is complete and correct mark it "O. K." with your initials underneath.

2. Sell to William F. Austin a bill of merchandise as follows: 10 yd. Black Mohair; 12 yd. French Organdies; 6 yd. Flannelette; 2 doz. Gilt Buttons.

Supply the date. Receipt the bill and hand it to your instructor.

3. Lane & Miller have, on Jan. 5, 1907, sold you an invoice of goods as follows: 3 pc. Premier Black Silk, 24^1, 28^2, 30; 1 pc. Nearsilk, 38; 5 pc. Striped Denim, 18^2, 20^1, 22^3, 21, 25^2. Terms, net 60 days or 5% discount in 10 days. What amount will be paid for this purchase on Jan. 12?

4. You have purchased from Beckwith & Bates, Jan. 14, 1907, an invoice of merchandise as follows: 4 pc. Scotch Cheviot, 28^2, 30, 35^1, 37^3; 3 pc. Chiffon Broadcloth, 40^2, 38^2, 36; Terms cash in 30 days, less 5%. How much is required to settle this account if paid on Feb. 10? Receipt the invoice for the 10th, showing the discount and net amount.

5. Sell to Robert Houston this day, merchandise as follows: 12 yd. Lonsdale Cambric; 15 yd. Manchester Gingham; 1 doz. O. N. T. Cotton; 8 yd. Amazon Cloth. Terms cash.

6. Purchase from Henry S. Judson on Jan. 17, goods as follows: 2 pc. Venetian Cloth, 37^3, 40; 4 pc. Storm Serge, 30, 34^2, 38^1, 40^3; 1 gro. Bone Buttons; 2 pc. Linen Torchon Lace. Terms 30 days. If not paid promptly interest will be charged from date of bill. What amount will settle this account April 17?

7. Buy from Hunter & Kennedy on Jan. 20, 1907, goods as follows: 6 pc. English Serge, 28, 32^3, 30^1, 40, 42^3, 31^2; 8 pc. Read's Lansdown, 30^2, 24^3, 31^3, 33, 28^2, 38^3, 39, 28^2; 3 pc. Royal Shaker Flannel, 20^2, 23, 28^3; Terms, net 60 days, or 3% discount in 10 days. How much will settle this account Jan. 29? Receipt the invoice for Jan. 29 showing discount and net amount.

Should the student require additional exercises in bills and invoices the instructor can readily devise them from the material given in the price-list.

Trade Discounts are allowances made by dealers or manufacturers upon a fixed price-list. Instead of changing the catalogue or price-list from time to time, some merchants prefer to change their rate of discount. Successive discounts are frequently used as illustrated in the following example:

What is the net price of goods invoiced at $420, subject to a discount of 20%, and 10% off?

Solution	Explanation
$420.00 list price 84.00 = 20% off ——— $336.00 33.60 = 10% off ——— $302.40 net price.	The discount on $420 @ 20% is $84, which deducted from the price-list gives $336, the net amount upon which the second discount is estimated. Deducting the second discount gives the net price. To secure correct results the work should generally be carried out three decimal places.

Exercises

1. What is the net price of goods invoiced at $780, subject to a discount of 20%, 10% and 5% off?

2. Find the net price:

	List price.	Discounts.
a	$540.00	20% 5% off.
b	390.00	25% 20% off.
c	760.00	20% 10% 5% off.
d	810.50	20% 15% off.
e	675.25	30% 10% 10% off.
f	480.75	10% 15% 3% off.

3. The articles in price-list, page 271, will be referred to in the following exercises according to the number, thus: No. 2 is black Mohair, No. 7, Duchesse Lace, etc.

What is the net price of an invoice consisting of 40 yd. No. 2; 20 yd. No. 5; 60 yd. No. 9; 6 doz. No. 8; the discount being 10 % and 5% off?

4. What is the net price in the following invoice: 12 doz. No. 16; 3 pc. No. 14; 6 gro. No. 11; 20 yd. No. 1; 40 yd. No. 12; if the discounts are 5%, 5% and 3% off?

5. Required the net price of an invoice of 28 yd. of No. 17; $38\frac{3}{4}$ yd. No. 20; 42 yd. No. 21; 60 doz. No. 19; $48\frac{2}{3}$ yd. No. 24; 36 yd. No. 28. The discounts are 10% and 3% off.

6. What is the net amount of an invoice of 10 pc. No. 7; 12 pc. No. 14; $44\frac{2}{3}$ yd. No. 22; 50 yd. No. 26? Discounts 5% and 5% off.

True Discount is but little used in actual business, as the banks and merchants generally use bank discount in making their calculations. It is well, however, for the student to be able to distinguish the one method from the other.

The present worth must first be ascertained before the true discount can be known. The present worth is defined to be such a sum that, if placed at interest until the debt becomes due would amount to the debt.

The present worth of $721 due six months hence, rate 6%, is found by dividing $721 by $1.03, which is the amount on $1.00 for the given time at the given rate, $\$721 \div \$1.03 = \$700$. The true discount is the difference between the face of the debt and the present worth, that is, $721 - 700$, or $21. If calculated according to bank discount the answer will be $21.63.

Exercises

1. What is the present worth and true discount:

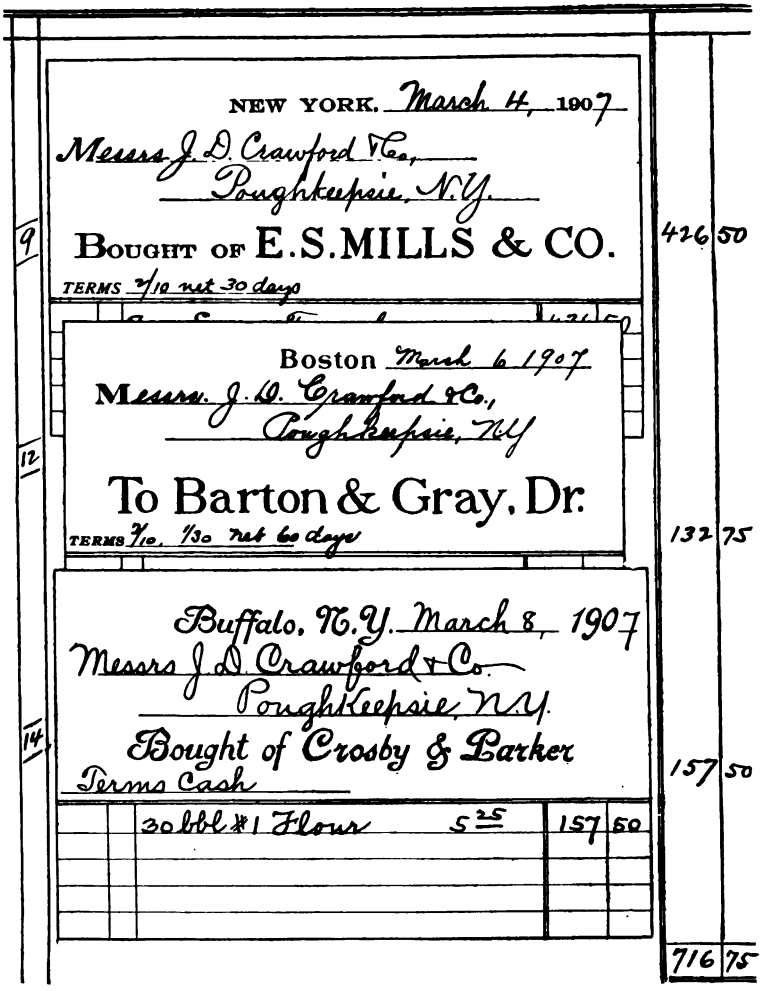
a, of $960.00, due in 4 months, money being worth 6%?
b, of $582.30, " " 90 days, " " " 6%?
c, of $736.50, " " 60 days, " " " 7%?
d, of $1,550.00, " " 1 month, " " " 5%?

2. If 850 bbl. of flour are sold at $7.50 per bbl., on 90 days' credit, what is the present worth of the debt if money is worth 6%?

3. Goods invoiced at $5400, on which was allowed a trade discount of 20% and 10% were sold on a credit of 60 days. What amount will settle the bill at the time of purchase, money being worth 6%?

Invoice Book or Purchase Book

Form of Invoice Book



NEW YORK. March 4, 1907

Messrs J. D. Crawford & Co.,
Poughkeepsie, N.Y.

9 BOUGHT OF E.S.MILLS & CO. 426 50

TERMS 2/10 net 30 days

Boston March 6 1907

Messrs. J. D. Crawford & Co.,
Poughkeepsie, NY

12 To Barton & Gray, Dr.

TERMS 2/10. 1/30 net 60 days 132 75

Buffalo, N.Y. March 8, 1907

Messrs J. D. Crawford & Co.
Poughkeepsie, N.Y.

14 Bought of Crosby & Parker

Terms Cash 157 50

		30 bbl #1 Flour	5 25	157 50

716 75

The Invoice Book containing, as it does, a record of merchandise purchased, is often called a purchase book. The form given above is the one in general used, an is briefly explained as follows:

It is, in the first place, nothing more than a large book containing blank pages of manila paper on which are pasted the invoices after they have been marked O. K. It may be necessary to trim or fold the invoice to adjust it to the size of the page, owing to a lack of uniformity in invoices. The first invoice, at the top of the page, should be pasted by securing the four corners, but each one after that should be pasted only on the lower corners, so that by turning it down the items of the preceding invoice will be revealed.

On the right is a money column into which the amount of the invoice is carried. At the bottom of the page the total footing is shown, and carried forward so that the total purchases, for a given period, may be posted with but one entry to the debit side of the merchandise account in the ledger. Each person or firm from whom merchandise is purchased should be credited at the time the invoice is pasted in the book. In case of a cash purchase, the cash account should be credited instead of the firm from whom purchased. In dealing with a house where the purchases are sometimes for cash and at other times on account, many bookkeepers prefer to credit the house with every purchase. By this method all dealings with a firm will be shown on the ledger.

Another form of invoice book, is that in which the ruling is similar to a day book, and instead of pasting the invoices therein, they are copied in so far as to show the name of the seller, date, number of invoice, terms, and total amount. The invoice is then placed on file for future reference. This form, while disapproved by many because of the unnecessary copying required, is, nevertheless, extensively used. The manner of posting from the two forms is identical.

COMMISSION BUSINESS AND ACCOUNT SALES

A Commission Merchant, Broker, or Factor is an agent who buys or sells merchandise for another, charging a percentage on the gross proceeds for his compensation.

When a commission merchant receives merchandise to be sold on commission, he receives also an invoice of the goods shipped, which differs from the ordinary invoice only in the omission of the price of the articles and total value.

The commission merchant (F. C. Hollander) keeps an account of the goods you have sent him under the title of "Students Sales," or "Students Consignment," but when you ship the goods which are to be sold on your account and risk, you should keep your account under the title of "Shipment to F. C. Hollander," debiting this account for the value of the goods sent, and crediting it for the proceeds of the sale.

Exercises

1. You are doing business in Syracuse, N. Y., and have shipped to James C. Bell, 120 Warren St., New York City, on Oct. 4, 19—, via N. Y. C. R. R., car No. 921, to be sold on your account and risk, the following goods: 24 bbl. potatoes, 10 bbl. apples.

Make out the invoice and write a letter to Mr. Bell informing him as to when the goods were shipped, by what road, the condition or quality of the goods, and what you hope they will bring in the market. Make out also the shipping order to the railroad, and the Bill of Lading, or receipt, which the railroad should give to you. Enclose the B/L with the invoice in your letter, and turn them over to your instructor for inspection. See form B/L page 279. Make also the journal entry, placing an estimate of the value of the goods shipped.

2. You have, on Oct. 10, 19—, shipped to Walker & Mason, 134 Chambers St., New York City, via West Shore R. R., car No. 672, to be sold on your account and risk, goods as follows: 18 bbl. potatoes; 12 bbl. apples.

Make out the invoice, the shipping order, bill of lading, also write a letter to Messrs. Walker & Mason, and enclose the invoice.

Make the journal entry estimating the value of the shipment at $76.50.

An Account Sales is a formal statement made by the commission merchant to the person who shipped the goods, showing the total amount of sales, charges, and net proceeds.

Account Sales

SALE OF MERCHANDISE FOR ACCOUNT OF

George H. Lockwood, Buffalo, N. Y.

Dec. 27, 19—

BY

E. M. RUSSELL & CO.

COMMISSION MERCHANTS

205 WEST ST., NEW YORK

Invoice No.
Folio No.

Nov.	15	Received 25 bbl. Potatoes			
"	"	" 30 " Apples			
			Sales.		
Dec.	20	Cash	Potatoes, 15 bbl., @ $2.60	$39 00	
"	"	"	Apples, 14 bbl., @ $3.10	43 40	
"	25	S. B. Jones on %	Potatoes, 10 bbl., @ $2.70	27 00	
"	"		Apples, 16 bbl., @ $3.15	50 40	$159 80
			Charges.		
Nov.	15	Freight	$27.50		
"	"	Cartage	6.25		
				33 75	
"	20	Insurance	1.50		
Dec.	27	Storage	2.30		
"	"	Commission	7.99	11 79	45 54
		Net *proceeds*			$114 26

When the commission merchant receives the goods sent by Lockwood and pays the freight and cartage, he debits the account known as George H. Lockwood's Sales for $33.75 and credits his cash account for a like amount. When he sells these goods on Dec. 20, he debits cash and credits Lockwood's Sales, and on the 25th, he debits S. B. Jones and again credits Lockwood's Sales. When he closes the account, on the 27th, he debits Lockwood's Sales for a sum which will make the account balance and then credits storage for $2.30, commission for $7.99, and George H. Lockwood's account for $114.26. Observe that the last three credits make the exact sum for which Lockwood's Sales is debited. Make the journal entries as directed above.

3. You are a commission merchant doing business at 79 Chambers St., New York City, and have received from Alexander W. Fox, Middletown,

N. Y., to be sold on his account, an invoice of 10 tubs of butter, 500 lbs., and 70 doz. eggs. You have paid freight on same, $3.20, and cartage, $1.10. Having sold the consignment for cash, receiving 25c. per lb. for butter, and 28c. per doz. for the eggs, make out an Account Sales, charging $1.45 for insurance and 5% commission for selling. Make all the journal entries.

4. You have received from D. W. Morris, Hudson, N. Y., to be sold on his account, 12 tubs butter, 600 lb., and 3 boxes cheese, 130 lb. You have paid the freight, $2.40, and cartage, $1.20, and after selling the butter for 30c. per lb., and cheese for 17c. per lb., you render an Account Sales charge ing storage, $1.70, and commission 5%. Make all the journal entries.

5. You have received from Hall & White, Batavia, N. Y., to be sold on their account, 50 bbl. apples, and 27 bbl. potatoes. You have paid freight on same, $29.50, and cartage $6.75. You have sold the apples at $2.75 per bbl. and potatoes @ $2.60 per bbl. Render Account Sales, charging 3½% for selling, $2.80 for storage, and $1.80 for insurance. Make journal entries.

6. You have received a consignment of 340 bbl. flour on which you have advanced to the consignor $150 cash, and paid freight $37.00, cartage $6.50, and charged for storage $7.25, insurance $3.25, commission on sales 2½%. You have sold 120 bbl. at $6.75 per bbl., 90 bbl. at $7.10, and the remainder at $7.20 per bbl. What are the net proceeds and commission?

7. You have received a consignment of 7 bbl. granulated sugar A, 2,110 lb., 8 bbl. standard sugar B, 2,360 lb., 12 bbl. soft sugar C, 3,396 lb., 2 tcs. rice, 1,210 lb. You have paid freight $8.50, cartage $3.50, and charged for cooperage $1.25, commission 2¼%. You have sold the A sugar at 6c. per lb., the B sugar at 5½c., the C sugar at 5c., and the rice at 9c. How much is the commission and net proceeds?

8. From George A. Reed, Chicago, you have received a consignment of 1 car of wheat and 1 car of corn. You have paid freight as follows: on wheat 452^{30} bu., 27,150 lb., @ 15c. per 100, $40.73; on corn, 502^{28} bu., 28,140 lbs., @ 10c. per 100, $28.14. The wheat you sold for 90c. per bu., and the corn for 60c. per bu. Your commission for selling is 2%. Render Account Sales.

Bill of Lading

A Bill of Lading has been defined (page 104) as an acknowledgment of the receipt of goods and an agreement by the transportation company to deliver the same at a certain place.

The receipt and the agreement are the first two essentials of the bill and the other important things shown are the name of the shipper, the name of the consignee, the destination of the goods, the charges for freight, and the marks and numbers showing the articles' weight, etc.

It is called a clean bill of lading when the bill recognizes the goods

to have been in good condition when shipped. Every bill is considered a clean bill unless the transportation company marks it otherwise.

To procure a bill of lading, a shipping order, which in many of its parts is an exact copy of the above bill of lading, is filled out and signed by the shipper. This shipping order is retained by the transportation company. Where goods are sold on time, or when the customer's financial condition is

G 20-a A. M. F. B.

Pennsylvania Railroad Company.

RECEIVED, subject to the classification in effect on the date of the receipt by the carrier of the property described in this Original Bill of Lading,

at ..... *Station*, ... 190

from ..... the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, in consideration of the rate of freight hereinafter named, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (see conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns as just and reasonable.

MARKS:	DESCRIPTION OF ARTICLES	WEIGHT (Subject to Correction)
Consignee,		
DESTINATION: Place,		
County,		
State,		
Route,		

[ORIGINAL BILL OF LADING.]

Advances, $.....

Agent.

Car No. ..... (The signature of the Agent here acknowledges only the receipt of the property, and the amount advanced, if any.)

The blank spaces below must not be filled up by the shipper.

It is mutually agreed that the rate of freight from ..... to ..... is to be, in cents per 100 pounds:—

..... times First Class ..... Third Class ..... Sixth Class .....

First Class ..... Fourth Class ..... Special Class .....

Second Class ..... Fifth Class .....

Agent. (The signature of the Agent here acknowledges only the rate given.)

Received $..... to apply in prepayment of the charges on the property described above

Agent. (The signature of the Agent here acknowledges only the amount prepaid.)

NOT NEGOTIABLE.

If the word "ORDER" is written immediately before or after the name of the party to whose order the property is consigned, this Original Bill of Lading, properly endorsed, shall be required before the delivery of the property at destination, as provided by Section 7 of the Conditions on the back hereof.

known to be good, the bill of lading is made to his order, and both the bill of lading and invoice of the goods shipped are sent by mail directly to the purchaser. Usually there is issued to the shipper a duplicate of the bill of lading or a memorandum copy which he keeps for his own use.

Merchants frequently make use of the bill of lading to secure payment on a shipment of goods in the following way: For example, a merchant in Chicago, sending a car-load of merchandise to New York, may procure from the railroad a bill of lading to his own order, and after drawing a sight draft on the person to whom he has sold the goods, he may indorse both the

draft and bill of lading to his banker, who will in turn indorse them both over to his correspondent in New York. The correspondent or banker in New York will present the draft for collection, and upon payment of same, the bill of lading will be turned over to the purchaser of the goods. The railroad will of course deliver the goods only on presentation of the bill of lading, properly indorsed.

In accomplishing this result somewhat different methods are employed by different bankers, and in some cases the banks do not indorse the bills of lading.

A Way Bill is a description of the goods forwarded, giving complete directions for shipping, the destination, number of car, etc., signed by the agent and delivered to the freight conductor.

Express companies furnish a convenient way of shipping goods C. O. D., for they will, when so ordered, collect for the shipper, at the end of the route, the value of the goods and return the money at a small additional charge. All the charges of the express company are of course paid by the one who orders the goods C. O. D., and they will not be delivered till payment is made and a receipt is signed. They will, however, allow inspection of the goods before paying, if the order so reads.

Merchants may procure from the companies C. O. D. envelopes in which is placed the invoice to accompany the goods. On the envelope must be marked plainly the name of the person to whom the goods are sent, the amount to be collected, to whom the proceeds are to be returned, and other particulars. Some merchants keep a separate sales-book for C. O. D. sales, also a separate ledger. Others charge the Delivery department for all such sales and credit that department for the return of collections.

Review

1. What is a bill? **2.** Define an invoice. **3.** What should be done with the invoice when received? **4.** Describe two methods of keeping an invoice book, and state your preference. **5.** Describe some good method of filing invoices. (See Vertical System, page 249.) **6.** Describe the method of posting from the invoice book. **7.** Explain the expressions 5/10, 2/30, n/60. **8.** What do you understand by trade discounts? **9.** Define Broker, Factor, or Commission Merchant. **10.** How does the invoice of a consignment differ from other invoices? **11.** Explain the different ledger titles used by the consigner, and consignee to represent the same shipment of goods. **12.** Define the terms consigner and consignee. **13.** What is an account sale? **14.** Define a bill of lading. **15.** Mention five essentials in a bill of lading. **16.** What do you understand by a clean bill of lading? **17.** State the method of procuring a bill of lading. **18.** And how is it used? **19.** What use would you make of a bill of lading to secure payment upon delivery of the goods? Explain. **20.** What is a way bill? **21.** Describe the method of shipping goods C. O. D. **22.** How may one have the privilege of examining the goods before paying for them?

FINANCIAL STATEMENTS

Statements which show the general condition of the business, frequently called Financial Statements for the sake of distinction, also called Balance Sheets, may be made yearly, semi-annually, quarterly, or whenever the proprietor may desire to know his true financial condition. Such statements should fully and clearly reveal all the resources, liabilities, net capital, gains, losses, and net gain, or net loss. That form is certainly the best which will show these facts in the simplest way, and so that the ordinary person can easily understand them.

On page 147 may be found a form of statement adapted to almost any commercial business. It is complete, and such as is usually rendered by the bookkeeper periodically, when the ledger accounts, showing gains and losses, have been closed. At times the proprietor may require only a partial statement, showing merely the resources and liabilities, or only the gains and losses.

Exercises

Trial Balance, August 1, 19—.	*Dr.*	*Cr.*
Student (Partner)		$11,423 20
Charles Davis (Partner)		6,000 00
Henry Dawson (Partner)		4,000 00
Cash	$10,890 50	7,354 85
Merchandise	24,867 25	10,275 40
Bills Receivable	3,840 75	2,450 00
Bills Payable	1,500 00	4,260 50
Accounts Receivable	15,975 30	8,462 15
Accounts Payable	6,924 90	9,765 45
Interest	123 50	164 30
Loss and Gain	65 20	
Shipment to R. S. Evans	1,384 60	1,290 50
Storage		218 65
Brown Bros. Sales	870 40	870 40
Commission		92 50
Expense	185 50	
	$66,627 90	$66,627 90

Inventories, merchandise, $16,500. Shipment to Evans $320.

When there are a large number of personal accounts the statement can be shortened by including under Accounts Receivable the total amount due from others and under Accounts Payable all sums due others.

2. Make a complete Financial Statement, dating it April 1, 1907, from the following ledger footings:

Student, Proprietor, Dr. $375, Cr. $12,000. Cash, Dr. $5,482.30, Cr. $3,890.75. Mdse., Dr. $8,875.50, Cr. $7,480.35. Real Estate, Dr. $9,500. N. Y. Cent. R. R. Stock, Dr. $8,160, Cr. $8,280. Bills Receivable, Dr. $1,500. Cr. $850. Bills Payable, Dr. $400, Cr. $1,600. J. N. Porter, Dr. $1,237.40, Cr. $500. Pillsbury & West, Dr. $350, Cr. $1,800. Expense, Dr. $294.25. G. H. Rockwell, Dr. $712.40, Cr. $260.25. Frank Miller, Dr. $100, Cr. $364.10. Loss and Gain, Dr. $38.60. Value of Merchandise unsold, $1,850.75. Real Estate unsold, $9,500.

Instructions for making statements are found on page 140.

3. Make a statement, May 1, 1907, of resources and liabilities from the following ledger footings:

Student, Proprietor, Cr. $4,614.20; Cash, Dr. $8,972.50, Cr. $3,898.45. Bills Receivable, Dr. $950, Cr. $500. Bills Payable, Dr. $700, Cr. $1,000. H. L. Sherman, Dr. $285.70, Cr. $60.75. Davis & Sloat, Dr. $150, Cr. $834.80. Frank Smallwood, Dr. $293.25, Cr. $112.50. Stone & Taylor, Dr. $314.35, Cr. $645.10. The inventory of merchandise is valued at $2,500. Store fixtures at $870.

4. Make a statement, June 15, 1907, of the gains and losses from the following ledger footings:

Merchandise, Dr. $12.784.60, Cr. $9,871.50. Real Estate, Dr. $15,750, Cr. $10,500. Interest and Discount, Dr. $128.40, Cr. $215.75. U. S. Steel Stock, Dr. $2,760, Cr. $2,400. Expense, Dr. $432.90. Commission, Cr. $135.40. Unsold property is valued as follows: Merchandise, $5,250. Real Estate, $4,000.

5. Make a complete statement, dating it July 1, 1907, from the following ledger footings:

Student, Proprietor, Dr. $235, Cr. $9,471.65. Wheat, Dr. $8,760, Cr. $6,545.50. Corn, Dr. $9,425.60, Cr. $7,820.80. Oats, Dr. $5,278.30, Cr. $3,547.50. Swift & Webber, Dr. $350, Cr. $1,500. John Armstrong, Dr. $1,892.70, Cr. $214.75. Cash, Dr. $6,785.40, Cr. $3,592.20. Strauss & Ward, Dr. $694.65, Cr. $2,872.35. Expense, Dr. $118.90. Bills Receivable, Dr. $2,850, Cr. $700. Bills Payable, Dr. $925.40, Cr. $1,645.40. Commission, Cr. $187.50. Interest, Dr. $89.60, Cr. $52.40. F. C. Esser, Dr. $1,244.50, Cr. $500. Inventories, Wheat, $2,100, Corn, $2,540, Oats, $1,842. Expense, $50.

Exercise 6

Trial Balance, June 1, 1907.—	*Dr.*		*Cr.*	
S. S. Adams (Partner)			$16,400	00
Geo. Clark (Partner)			16,400	00
Cash	$350	00		
Real Estate	10,000	00		
Plant and Machinery	12,000	00		
Raw Material on Hand, June 1, 1906	8,500	00		
Purchases	15,450	00		
Sales			42,500	00
Interest	275	00		
Discount and Allowances	435	00		
Labor	11,500	00		
Salaries	2,250	00		
General Expenses	325	00		
Accounts Receivable	14,500	00		
Accounts Payable			6,685	00
Printing and Advertising	625	00		
Freight	775	00		
Fuel	1,200	00		
Taxes	450	00		
Mortgage Receivable	3,500	00		
Merchants Bank Overdraft			150	00
	$82,135	00	$82,135	00

Inventories, Real Estate, $10,000; Plant and Machinery, $12,000; Raw Material, $13,000.

Trial balances are frequently made like the above showing only the balances instead of the total debits and credits of each account. The unusual titles "Purchases" and "Sales" may puzzle the student in that he cannot at first determine to what class of accounts they belong. The three accounts, Raw Material, Purchases, and Sales, are only sub-divisions of the general Merchandise account, and the figures should be combined and treated as one account in making the statement.

7. Make a second statement for the above example after you have made the following allowances; credit each partner with 5% on his net investment for one year, deduct 5% on Accounts Receivable for bad debts, and write off 7% for depreciation in plant and machinery.

THE LINCOLN NATIONAL BANK

Statement, January 29, 1906.

	Resources.			Liabilities.	
1.	Loans and Discounts	$11,125,843.04	9.	Capital	$300,000.00
2.	United States Bonds	540,000.00	10.	Surplus	700,000.00
3.	Bonds and Investments	4,073,528.61		Undivided Profits	792,372.33
4.	Exchanges	573,039.04	11.	U. S. Bonds borrowed	540,000.00
5.	Due from Banks	1,812,270.30	12.	Deposits	20,086,921.26
6.	Cash Items	52,201.35	13.	Circulation	296,700.00
7.	National Bank Notes	20,044.00			
	Gold	2,225,459.70			
	Silver	33,870.55			
	United States Notes	2,229,737.00			
	Mutilated Currency	15,000.00			
8.	Five per cent. fund	15,000.00			
		$22,715,993.59			$22,715,993.59

Analysis of Bank Statement.—In a statement made by a bank the titles of accounts and terms differ very much from those required in a trading or manufacturing concern, and the following explanation is given to show the analogy existing between a bank statement and a balance sheet as used in some other line of business.

(1) The ledger title for Loans and Discounts might appropriately be Bills Receivable, as the bank holds the discounted notes of individuals for a large part of this amount.

(2) These bonds are owned by the bank, but are deposited with the Government to secure the notes which the bank has issued.

(3) These are securities of various kinds owned by the bank.

(4) Exchange is a title covering the checks or obligations due from city banks which are members of the clearing house.

(5) This is a resource of the same nature as number 4, but applies to city banks which are not members of the clearing house.

(6) Amount due from out-of-town banks.

(7) These five items cover different forms of the bank's cash.

(8) This fund is deposited with the United States Government for the redemption of mutilated notes.

(9) The Capital Stock corresponds with the proprietor's investment.

(10) The surplus and undivided profits show also the amount due the stockholders after all the expenses and liabilities have been paid.

(11) United States bonds are usually owned by the bank, but in this case they have been borrowed.

(12) This amount is due individuals and in another business would be called Accounts Payable.

(13) Circulation means the bank's promissory notes, known as National bank notes, which circulate as money and which in effect are Bills Payable.

Statement of Accounts Current

Statements showing the debits and credits of a person's account may be made monthly, quarterly, yearly, or whenever convenient to the proprietor. It is the prevailing custom, however, to mail at the

beginning of each month, a statement to customers whose accounts are due. When interest is not charged the statement is merely a transcript, or copy from the sales-ledger or sales-book. When such a statement has been rendered once without being settled, the second statement refers to the first thus: "To bill rendered," followed by the total amount. When these bills are paid they should be promptly receipted and returned to the customer.

The following is a usual form:

Form

STATEMENT OF ACCOUNT

Folio *47*

Albany, *Nov. 1, 19—*

Mr. F. D. Morrison

City

In account with *Parker & Hale*

		Dr.			
Oct. 8	*To Mdse.*	*$127*	*50*		
" 8	*" "*	*42*	*75*		
" 20	*" "*	*85*	*60*	*$255*	*85*
		Cr.			
Oct. 15	*By Cash*	*50*	*00*		
" 25	*" Mdse. returned*	*42*	*75*	*92*	*75*
				$163	*10*

Exercises

1. Make a statement from the following ledger account, dating it Oct. 1, 1907.

GEORGE W. CLARKE, UTICA, N. Y.

1907				1907			
Sept. 8	Mdse.	$76	00	Sept. 9	Cash	$50	00
" 14	"	145	50				

2. Your ledger shows J. B. Hill's account to be debited April 4, with merchandise $137.50, and on the 15th, with $32.75, and on the 20th, with $14.25. On the 10th there is a credit of $125. Make a statement, dating it May 1.

3. Mr. Frank Williams's account has a debit of $380.75 on May 4th, for merchandise and a credit on the 15th for cash $150; also, on the 20th, a cash credit of $120. Make a statement, dating it June 1.

Cash Balance

When parties have extensive dealings with one another and it is agreed that interest shall be charged on their accounts, it becomes necessary to compute the interest on both sides up to the day of settlement in order to find what is sometimes called the cash balance.

4. Find the cash balance, July 1, 1907, on the following account, including interest at 6%:

J. R. BARNES.

1907				1907		
Jan. 1	Mdse.	$800 00		Mar. 1	Cash.	$500 00
April 1	"	450 00		Mar. 15	"	300 00

Solution.—The interest on $800, from Jan. 1 to the day of settlement, July 1, 6 mos., is $24, and on $450 from April 1 to July 1, 3 mos., is $6.75; these two items of interest, making $30.75, added to the debit $1,250 = $1,280.75. In like manner it is found that the two items of interest on the credit side computed to the day of settlement July 1, is $15.40, which, added to the credit, makes $815.40. The cash balance then is $1,280.75 − 815.40 = $465.35. Make statement showing items including debit, and credit of interest and balance.

5. Find the cash balance on October 1, at 6%, and send statement to

JAMES LAWSON.

1907			1907		
Mar. 15	Mdse.	$640 00	May 1	Cash	$500 00
April 1	"	250 00	May 10	"	250 00
May 15	"	375 00			

6. Find cash balance on Jan. 1, 1907, at 6%, and send statement to

EDWARD RHODES & CO.

1907			1907		
Feb. 1	Mdse.	$945 50	Mar. 1	Cash.	$850 00
April 1	Mdse. 2 mo.	725 00	June 1	Note, 30 days.	400 00

Count the time from the date the amount falls due, thus the second item on the debit side is not due till June 1.

7. Find the cash balance on Sept. 1, at 6%, on the account with

HIGGINS AND BARD.

1907			1907		
April 1	Cash.	$1200 00	Jan. 10	Mdse.	$2400 00
April 15	Note, 2 mo.	650 00	Mar. 15	Mdse., 3 mo.	680 00
			May 1	Mdse., 3 mo.	265 00

PARTNERSHIP

Partnership is the association of two or more persons for the purpose of conducting some business in which they combine their capital, skill, and labor, sharing the gains and losses in accordance with their agreement.

The partnership, or copartnership, as it is often called, is formed by an agreement or contract, which may be either oral or written. It is, however, advisable to have a contract of partnership expressed in writing, fully stipulating the nature of the business, the interests of the individual partners, and their duties. On page 379 may be seen a form of "Articles of Copartnership."

One of the most important things in relation to partnership is that any one of the partners can make a contract which will bind all the others, and thus one member may be compelled to pay the entire debts of the firm, should the others become insolvent. Because of this law many persons refuse to enter into a partnership, but are willing to invest in a corporation, or a limited partnership where their liability will not exceed the amount invested.

In some States laws have been made by which a limited liability partnership may be formed. Under this law the general partner is liable, but the special partners who take no active part in the business are liable only to the extent of the capital invested. The word "Limited" must be attached to the name of the company which does business under this law.

In ordinary cases where the partnership is not formed for a specified time, any member may dissolve it at will. The transfer of a partner's interest or his death will also dissolve the partnership.

For the bookkeeper in a partnership concern there are numerous problems arising in relation to the opening of such accounts; the adjustment of partners' interests, and the proportion of gain or loss to be shared by each.

Opening Entries

Exercises

1. Henry Holt and Geo. Warren enter into partnership, agreeing to share the gains or losses equally. Holt invests cash, $2450; merchandise, $1750. He has a note outstanding of $1280 which the firm assumes. Warren brings into the business resources and liabilities as follows: Cash, $2290. A note, payable to him, amounting to $900. The firm assumes to pay for him a debt of $370 due James Allen. Make the opening journal entry so that the ledger account for each partner will show his total investment and

the amount of debts assumed by the firm for him, thus: Journal entry for Henry Holt:

	Cash,	$2450	
	Mdse.,	1750	
		To Henry Holt	$4200
	Henry Holt,	$1280	
		To Bills Payable	$1280

Henry Holt's account will, when the above journal entries are carried to the ledger, appear as follows:

HENRY HOLT (Partner)

1907 May	1		$1280.00	1907 May	1		$4200 00

In the same manner Geo. Warren's account should show on the credit side his entire investment and on the debit side his debts which have been assumed by the firm.

2. Jan. 2, 1907. Edward S. Field and Samuel F. Lewis have this day formed a partnership, under the firm name of Field & Lewis, for the purpose of carrying on the retail dry-goods business, the partnership to continue for five years, and the gains and losses to be shared equally. Edward S. Field brings into the business the resources and liabilities of his former business, viz: merchandise, per inventory, $9257.50; cash, $6850; store fixtures, $1500; notes as follows: one for $1270, due to-day, signed by John C. Collins, and one for $750.75, payable on demand, signed by Robert C. Miller, also the accounts due from the following persons: Geo. Blair, $125.80; Henry Martin, $272.30; Hill & Hunter, $125. His liabilities are as follows: He owes N. P. Archer on account, $1860.40, and has an outstanding note for $1000, payable to the order of John White.

Samuel F. Lewis invests cash $15000 and a note for $1400, payable Jan. 3, 1907. The firm has assumed for him a debt of $592 to McMillen & Gray. Make the journal entries. Show in ledger form each partner's account properly debited and credited, and write out the articles of co-partnership, following the form on page 379.

3. Albert W. Reynolds, William H. Reed, and Edward L. Perry have, on the 2d day of July, 1907, formed a partnership for the purpose of carrying on the hardware business; the partners to share the gains or losses as follows: Albert W. Reynolds two-fifths, Wm. H. Reed two-fifths, and Edward L. Perry one-fifth. The name of the firm shall be known as Reynolds, Reed & Co.

Mr. Reynolds brings into the business the following resources and liabilities: Cash, $1000; merchandise in store, $5856; notes as follows: one for $895.50, signed by Frank Rhodes, due July 2, 1907; and one for $1500, signed by Alexander Odell, due April 2, on which there has accumulated interest amounting to $22.50. His liabilities are accounts payable as follows: Oscar Myers, $732.75; James Newell, $540.60.

Mr. Reed invests cash, $6231.40; accounts receivable, as follows: George McClellan, $690; S. C. Lyon, $1340.80; L. D. Kurtz, $247.50. His liabilities are an account payable to A. C. Hill for $320.65 and a note due Hatch Bros. for $195.

Mr. Perry invests cash $4000.

Make day-book journal entry and show each partner's ledger account.

4. Alonzo Hatch, Walter Gilbert, and John Hall have, on June 2, 1907, formed a partnership to continue for one year for the purpose of carrying on the retail grocery business. The name of the firm shall be Hatch, Gilbert & Hall, and the partners are to share the gains or losses in proportion to their net investment.

Mr. Hatch invests his store fixtures, valued at $1450, and a stock of merchandise in store inventoried at $7248.50, also accounts receivable as follows: John Harper, $147.25, A. S. Grimes, $283.35; C. G. Hallock, $37.50; A. C. Burton, $12.60. His liabilities are an account payable to Austin Nash, $966,80, and a note for $1200, on which interest has accumulated amounting to $13.20.

Mr. Gilbert invests cash, $4900; merchandise valued at $3427, one note signed by E. H. Patterson for $852, on which has accumulated interest to the amount of $5.68, also an account receivable due from George Rice of $310.40. His liabilities are an account payable of $1170.08, to Evans & Murry, and a note of $325.75.

Mr. Hall invests cash $6000.

Make day-book journal entry and show each partner's ledger account.

Investment Accounts and Private Accounts of Partners

It is often convenient for each of the partners to have two accounts in the ledger, one representing his investment, and the other his dealings with the firm, and marked private.

The investment account is then used to show the total investment at beginning, and those of a permanent nature made thereafter; also the amount permanently withdrawn from the business.

The private or personal account of the partner is used to show his dealing with the partnership more in detail, as, for example, when the partners are each to receive a salary their private or personal account should be credited, and if goods from the store are taken for personal use by a partner his private account should be debited. Again, if, during the course of business, the firm should assume the debt of a partner his private account should be debited, and debited also when he draws any cash for his private use. When a settlement is made at the end of the year, or whenever agreed upon, the partner's private account should be carried into the investment account before the loss and gain account is closed.

The form below will show the investment and private accounts of James R. Wilson, of the firm of Wilson & Mills:

JAMES R. WILSON (Investment).

1907			1907		
Jan. 2		$5,000.00	Jan. 2		$12,500.00
			April 1	Private %.....	80.00

JAMES R. WILSON (Private).

1907			1907		
Jan. 15	Cash.....	$70.00	Feb. 1	Salary.....	$100.00
Feb. 10	Mdse.....	150.00	Mar. 1	"	100.00
April 1	Bal. investment %	80.00	April 1	"	100.00
		$300.00			$300.00

After Mr. Wilson's private account has been balanced and closed into his investment account the difference then between the two sides of this account will be his net capital.

Exercise

1. John B. Marsh and Samuel Walters are partners, each being credited March 5, with a net investment of $10,000. Open in your ledger an investment and private account for John B. Marsh. On March 5 Mr. Marsh drew cash $30, and on the 20th, $18. On the 25th he has a credit of $120. Make the entries and close his private account into investment account.

Adjustment of Interest in Partners' Account

In many cases interest is allowed to partners on their net investments. For example: In a partnership where A and B share equally, A has invested $8,000 for a year, while B has invested only $5,000 for the year. A should then be entitled to an interest credit of $480 ($8,000 @ 6% for 1 year), and B should be credited for $300 ($5,000 @ 6% for 1 year).

In such a case the journal entry is sometimes made as follows:

Interest	Dr.	780	
	To A		480
	" B		300

Although this simple method will give correct results as far as the partners are concerned, it is, nevertheless, rejected by some bookkeepers for the reason that, as in the above instance, the loss to the business, when the books are closed, will appear to be $780 larger than it actually is. Hence, another method has been adopted in which the

partners adjust the interest between themselves without affecting the interest account in the ledger. The method is as follows:

Find the sum of interest due all the partners, also find each partner's share of interest. Make the partner whose *share of interest* is greater than his *credit of interest* Dr. to the other partner for the difference between these sums, thus:

B Dr. $90
To A $90

Explanation. The sum of interest due all the partners is $780. Each partner's share is $390. As B's share of interest is $390, and his credit of interest is only $300, he is Dr. to A for the difference between those sums or $90.

It will be observed that $90 is the difference between A's share of interest and his credit of interest.

Examples

1. C, D, and E are partners sharing equally. At the end of the year C is entitled to a credit of $250 for interest on his investment; D to a credit of $290, and E to a credit of $360. Required the journal entry for adjusting the interest between the partners.

Answer.

C, Dr.	$50	
D, Dr.	10	
To E		$60

2. A and B are equal partners. At the end of the year A is entitled to an interest credit of $376 and B to a credit of $428. Make the journal entry between the partners.

3. A, B, and C are equal partners. Upon closing the accounts it is found that A is entitled to an interest credit of $120, B to a credit of $230, and C to a credit of $340. Required the journal entry.

4. James Gilbert and R. C. Bard are partners. Gilbert shares $\frac{2}{3}$ and Bard $\frac{1}{3}$ of the gains or losses. At the end of the year Gilbert is entitled to an interest credit of $360, and Bard to a credit of $330. Require the journal entry.

Observe that in the above example Gilbert has the smaller interest credit when compared with his $\frac{2}{3}$ interest in the business.

5. C. W. Ryer, J. D. Ross, and Wm. Quincy are partners. Ryer shares $\frac{5}{8}$. Ross $\frac{2}{8}$, and Quincy $\frac{1}{8}$. Upon settlement Ryer is entitled to an interest credit of $420, Ross to a credit of $150, and Quincy to a credit of $260. Required the journal entry.

6. H. C. Butler and J. B. Wood are equal partners and are each to be credited for interest on their net investment at 6%. Their respective investments and withdrawals are as shown below. Required the journal entries to adjust the interest between the partners at the end of one year.

H. C. BUTLER.

1907			1907		
Mar. 1	Withdrawal	$1,400.00	Jan. 1	Investment	$8,000.00
Aug. 1	"	2,000.00	May 1	"	2,500.00

J. B. WOOD.

1907			1907		
April 1	Withdrawal	$1,800.00	Jan. 1	Investment	$12,000.00
Oct. 1	"	1,200.00	July 1	"	2,200.00

Solution

H. C. Butler.			J. B. Wood.		
$8,000 at 6% for 1 yr.		$480	$1,200 at 6% for 1 yr		$720
2,500 " " " 8 mo.		100—$580.00	2,200 " " " 6 mo.		66—$786.00
$1,400 at 6% for 10 mo.		$70	$1,800 at 6% for 9 mo		$81
2,000 " " " 5 mo.		50—$120.00	1,200 " " " 3 mo.		81— $99.00
Interest credit for Butler, $460.			Interest credit for Wood, $687.		

After finding the net interest credit for each partner the journal entry is found in the same manner as in the preceding examples.

7. A and B are equal partners, each being credited for interest on their net investment at 6%. A invested Jan. 1, $15,000, and on Aug. 1, $3,000. He withdrew, March 1, $2,500, and on June 1, $1,800.

B invested Jan. 1, $12,000, and on April 1, $2,000. He withdrew Feb. 1, $1,600, and on Sept. 1, $1,400. Required the journal entry for adjusting the interest at the end of one year.

8. John Doe and Richard Roe are partners. Doe shares $\frac{2}{3}$ and Roe $\frac{1}{3}$ of the gains or losses. Interest on net investments to be credited at 6%.

Doe invests, Jan. 1, $10,000, and withdraws, Feb. 1, $2,000. He makes an additional investment of $4,000 on May 1, and withdraws $1,200 on Aug. 15.

Roe invests, Jan. 1, $8,000, and on March 15 withdraws $1,500. He again invests $3,000 on Sept. 15, and on Oct. 1 withdraws $750. Required the journal entry for the partners in adjusting the interest.

9. A, B, and C are partners. A shares $\frac{1}{2}$, B $\frac{3}{8}$, and C $\frac{1}{8}$ of the gains or losses. A invests, on Jan. 1, $16,000, and on July 1, $2,400. He withdraws on Feb. 1, $1,000, and on March 1, $1,200, and on April 15, $800.

B invests on Jan. 1, $13,000, and on March 15, $4,000. He withdraws, on Aug. 1, $5,000.

C invests Jan. 1, $6,000 and withdraws on March 1, $1,200. Required the journal entry to adjust the interest between partners.

Joint Stock Companies

A Joint Stock Company has been defined as "a partnership with some of the powers of a corporation." In the State of New York

such a company may provide that the transfer of the interest of any member will not work a dissolution of the company, also, that the death of a member will not dissolve the company. In these two features a joint-stock company is unlike a partnership, but like a corporation. The members are individually liable for debts as in an ordinary partnership, and for that reason the joint-stock company is not as much favored in New York as the corporation.

The manner of making the opening entry and keeping the accounts of a joint-stock company are precisely the same as in corporations, and is illustrated on page 355. But before the opening entries are made in the corporation book, in the case of converting a partnership into a corporation, the partnership books should first be closed.

How to Close the Partnership Books

The student has long since learned how to close all accounts representing loss or gain into the general loss and gain account, and from this into the proprietor's account, finally closing the proprietor's account and bringing the balance down, showing the net capital for the beginning of a new year. It should be remembered, however, that accounts showing resources and liabilities remained open, as there was no necessity for closing them; but now they must be closed. How should it be done? Let us suppose that the trial balance, showing the resources and liabilities which correspond with the open account in the ledger, is as follows:

	Dr.	*Cr.*
Cash	$2,150	
Bills Receivable	1,550	
Accounts Receivable	4,260	
Merchandise—Inventory	3,125	
Bills Payable		$825
Accounts Payable		1,872
J. R. Smith (Partner)		4,194
Frank Brown (Partner)		4,194
	$11,085	$11,085

An account should now be opened in the ledger, calling it the "Smith–Brown Co.", and all the resource accounts should be closed into it by crediting each resource and debiting the account "Smith–Brown Co." The liability accounts and each proprietor's account should also be closed into the "Smith–Brown Co." account by debiting each liability account and crediting the "Smith–Brown Co.", and then all the accounts of the ledger including the "Smith–Brown Co." account will balance. *Note.*—The above accounts should be opened on ledger ruled paper, and then closed as directed.

Open the following accounts on ledger ruled paper and then close them in accordance with the above directions: Cash, Dr. $3,256.25, Cr. $1,492.50; Merchandise, Dr. $2,875.50; Accounts Receivable, Dr. $5,420.35, Cr. $2,965.45; Bills Receivable, Dr. $650.00; Accounts Payable, Dr. $1,940.75, Cr. $4,262.80; Bills Payable, Cr. $1,000.00; John Adams (partner) Cr. $1,761.05; Edward Clark (partner), Cr. $1,761.05.

Review

1. What is partnership. **2.** How is it formed? **3.** State an important incident of partnership. **4.** What may happen to a partner if his associates become insolvent? **5.** Why do some persons refuse to enter into partnership? **6.** What do you understand by a limited liability partnership? Explain fully. **7.** In what different ways may a partnership be dissolved? **8.** Why is an investment account and a private account sometimes kept for each partner? **9.** Explain the manner of keeping each. **10.** What is a joint-stock company? **11.** In what two respects does it resemble a corporation? **12.** What can you say as to the liability of a member of a joint-stock company? **13.** Explain the manner of closing partnership books preparatory to opening joint-stock company accounts.

BONDS AND STOCKS

A Bond, in the legal sense, is a writing under seal by which one agrees to perform a certain act, or pay a certain sum of money.

In the case of loans on real estate, the borrower gives not only his bond for the payment of the money, but also a mortgage to secure the bond. A mortgage is, in form, a deed conveying property, but with a condition inserted, and when this condition is fulfilled, as in the payment of the bond, the deed becomes void. Loans on security of this kind are regarded as the safest investment that can be made. Not every bond is secured by a mortgage, nor is every mortgage a mortgage on real estate.

The word bond when associated with the word stock generally means a corporate bond, which is the written obligation to pay money issued by some corporation, such as a railroad, city, or State.

A railroad bond may be secured by a first mortgage covering all its real estate and all its personal property of every kind. There are first mortgage bonds, second mortgage bonds, etc.; or the bond may be secured by a mortgage covering only personal property, such as rolling stock. There are on the market a great variety of bonds, and some are no better security for the payment of a debt than an ordinary promissory note.

Bonds issued by corporations, or corporate bonds, are of various kinds, such as gold bonds, coupon bonds, registered bonds, debenture bonds, equipment bonds, etc. The gold bonds are so called because when they mature they are payable in gold. Coupon bonds are those to which are attached coupons, or certificates, representing the interest payments, and when the coupon becomes due it is clipped off and presented for payment. These bonds are often made payable to bearer. Registered bonds are those which are payable only to the registered owner. In this case the interest is paid by check and sent to the address of the owner. Equipment bonds are those issued by corporations to raise money to equip the plant. The rolling stock of a railroad is sometimes purchased in this way. A debenture bond, formerly, was a corporate bond which was not secured by mortgage, and this seems to describe a large number of railroad debenture bonds issued at the present time. The debenture bond of a financial company is of a different character. It is a bond which is secured by other bonds and mortgages. For example: A company holding first mortgage bonds on real estate may pledge such bonds and mortgages as security for others which they may issue. The latter they call debenture bonds, and are regarded usually as first-class investments.

Stocks are shares in the capital funds of a corporation and are usually of the par value of $100. The stockholders are those who own the shares of stock and practically, if not technically, own the property of the corporation.

To attain a clear understanding of the nature of stocks, bonds, and corporations, let it be supposed that a number of capitalists have concluded that a new railroad in a certain district would be a profitable venture. They at once take steps to form a corporation. When the necessary stock has been subscribed and the charter of incorporation procured, they issue bonds to obtain the money with which they build the road. Bonds are usually issued in denominations of $1,000, and become due after the expiration of five, ten, or twenty years. At the time the bonds are issued a mortgage covering all the property owned by the company has also been given for the purpose of making the bonds secure. Such bonds being considered a good investment and paying say 5%, many are sold to the public or to investors generally. If the enterprise is regarded as one that is likely to yield large returns in the future, there will be many who, besides the original stockholders, will purchase shares of stock, and the entire fund received from the sale of bonds and stocks will be used in building and equipping the road. While a person who holds bonds may also hold stock, yet the interest of the bondholder and stockholder are quite different. The bondholder is concerned only with the questions, Is the road fully able to pay the bond when it becomes due, and can it meet the annual or semi-annual interest? The stockholder is interested in the road not only

to the extent of its ability to meet its bonded obligations and current expenses, but he desires that a large surplus shall be earned each year, so that he may receive a dividend on his shares of stock. Whatever remains after the necessary expenses and fixed charges have been paid belongs entirely to the stockholder. The bondholder can claim no part of it. For this reason it often happens that stock in a corporation will sell for a higher price than the bonds, and it may also happen that the profits of a road are such that after a number of years the bonds will all be paid off, leaving the stockholders practically owners of the road, free and unencumbered. On the other hand, if the earnings of the road are not sufficient to pay the interest on the bonds, the bondholders can sell the road for what it will bring and apply the proceeds to the payment of their bonds. In this case the stockholders may receive nothing for their shares, and their certificates of stock, which they may have purchased at par, are worth no more than the paper on which they are printed.

A Broker is an agent, or one who acts in some business matter for another. There are stock brokers, produce brokers, note brokers, real-estate brokers, and various other kinds of brokers.

A Stock Broker is one who buys and sells stocks and bonds for another. To carry on his business he must meet others who are in the same business, and for the purpose of bringing together men of this class the Stock Exchange was organized.

A Stock Exchange is an organization of men whose chief business is to buy and sell stocks, bonds, and other securities. Non-members are not, as a rule, permitted on the floor of the Stock Exchange. To employ a broker one does not go to the Stock Exchange, but to the office of a broker, who, when he receives an order sends it to his associate on the floor of the Stock Exchange, and there the purchase or sale is made. These exchanges, affording as they do opportunity for legitimate investments, effect the distribution of an immense sum of money which finds its way into great commerical and industrial enterprises. In spite of the opportunities for speculation which it affords, the Stock Exchange has a legitimate function to perform.

Some of the words and phrases used by brokers and dealers in stocks are as follows:

A *dividend* is a certain percentage of a corporation's net earnings, which is to be divided among the stockholders. *Ex-dividend* means that the price of the stock does not include the latest dividend. *Commission* is the broker's charges for buying or selling. A *point* is one per cent of the par value of the stock or bond. *Selling short* is to sell stock which one does not *yet own*, that is, stock which he expects to buy at a lower price. *Covering short sales* is buying to make delivery of the stock which one has sold *short*. The *margin* is the sum of money,

usually ten per cent of the par value of stock, placed in the hands of the broker to protect him from loss in case of a falling market. To *corner* the market is to obtain a controlling amount of some stock which others are compelled to buy because of having sold short. A *syndicate* is a combination of capitalists formed for the purpose of carrying on some large financial enterprise. *Watering stock* is increasing the number of shares of stock without increasing correspondingly the capital which those shares are supposed to represent. An *assessment* is a fixed sum or percentage levied on the stockholder to meet a loss, or make up a deficiency. A *bull* is one who operates to effect a rise in the price of stock. A *bear* is one who operates to effect a depression in the price of stock.

The Produce Exchange is an organization of produce brokers or merchants. Their business is to buy and sell the products of the farmer, such as grain, flour, provisions, oil, butter, cheese, and various other products. One of the objects of this exchange is "to inculcate just and equitable principles of trade, to establish uniformity in commercial usage, and adjust controversies and misunderstandings."

A miller or an exporter wishing to purchase a large quantity of wheat would not go traveling around in search of farmers who might wish to sell, but would go directly to a produce broker who, through his associate in the produce exchange, would execute the order at the lowest market price. The large transactions in the produce of the country are carried on by means of organizations known as Exchanges.

Examples for Practice

1. A railway company, with a capital stock of $2,500,000, has declared a dividend of $3\frac{1}{2}\%$. What is the amount of the dividend?

2. A owns 50 shares of stock in the above road. How much should he receive in dividends?

3. What is the value of 150 shares of stock at $112\frac{3}{8}$?

4. What is the value of 25 shares of stock which is selling at a premium of $14\frac{5}{8}\%$?

5. What is the value of 50 shares of stock which is selling at a discount of $8\frac{7}{8}\%$?

6. What is the cost of 125 shares of stock at $121\frac{3}{8}$, if the brokerage is $\frac{1}{8}\%$?

7. What are the net proceeds from the sale of 80 shares of U. S. Steel preferred at $107\frac{5}{8}$; brokerage $\frac{1}{8}\%$?

8. B has purchased 120 shares Union Pacific at $151\frac{1}{8}$, and sold same at $153\frac{1}{4}$; brokerage $\frac{1}{8}\%$ for buying and $\frac{1}{8}\%$ for selling. What were his net proceeds and how much was his profit?

9. C purchased 100 shares of Am. Sugar at 143 and sold same at $139\frac{5}{8}$; commission for buying and selling $\frac{1}{8}\%$ each way. What were the net proceeds and how much did he lose?

10. What is the cost of 20 shares of General Electric at 171½; 20 shares Northern Pacific at 222⅛; 100 shares Rock Island at 26⅛; 50 shares Brooklyn R. T. at 83¼; brokerage being ⅛%?

11. If 50 shares of stock cost $5,318.75, including the brokerage ⅛%, what is the par value of the stock?

12. A has purchased 50 U. S. 3% bonds at 103⅛, brokerage ⅛%. What per cent does his investment yield?

13. A bought bank stock at 150, which was paying 9%. What per cent did he receive on his investment?

14. Stock bought at 75 pays a regular dividend of 4½%. What is the rate per cent on the investment?

15. The gross earnings of a railroad for the year were as follows: From freight, $10,832,195; from passengers, $3,184,262; from miscellaneous sources, $1,827,916; and the expenses were $9,535,652 for operating, and $2,230,420 for taxes, interest, and miscellaneous expenses. After declaring a dividend of 7% on the capital stock of $35,500,000, what was the surplus?

Review

1. What is a bond in the legal sense? **2.** In what way is real estate made the security for a loan? **3.** What is a mortgage? **4.** What do you understand by a corporate bond? **5.** Mention some of the securities for railroad bonds. **6.** Why are gold bonds so called? **7.** Distinguish between coupon and registered bonds. **8.** How is the interest paid on each? **9.** Describe some other forms of bonds. **10.** What can you say of debenture bonds? **11.** What are stocks? **12.** Explain the different interests of a stockholder and bondholder in a corporation. **13.** Under what conditions may a stockholder's interest be more valuable than a bondholder's? **14.** When does stock in a corporation become worthless? **15.** Define the term "broker," and mention different kinds. **16.** What is the purpose of a Stock Exchange? Explain. **17.** State in what way a Stock Exchange is a benefit to commerce and industries. **18.** Mention and explain some of the terms used by stock brokers. **19.** What is the purpose of the Produce Exchange? **20.** Where in this country are the largest transactions in produce, cotton, stocks, and bonds carried on?

EXERCISES IN BUSINESS ARITHMETIC

The following exercises are not intended to take the place of regular arithmetical work, which the student should have in connection with his bookkeeping practice. They are merely supplemental and intended to direct his attention to some parts of business arithmetic in which a bookkeeper should be proficient.

Addition

To the bookkeeper there is nothing in his arithmetical work of greater importance than the ability to add a column of figures accurately and rapidly. Accuracy is indispensable, irrespective of the time required, but rapidity will surely come to the student who is willing to devote a few minutes each day to drill exercises.

Rapidity is acquired by learning to combine two or more figures so that the result can be read at sight. Thus, $6+9+8+2$ should be read $15+10=25$. The combinations below should be so familiar that the moment the eye sees the figures the mind should grasp the result.

(6)	(7)	(8)	(9)	(10)
5 4 3	6 5 4	7 6 5 4	8 7 6 5	9 8 7 6 5
1 2 3	1 2 3	1 2 3 4	1 2 3 4	1 2 3 4 5

(11)	(12)	(13)	(14)	(15)	(16)
9 8 7 6	9 8 7 6	9 8 7	9 8 7	9 8	9 8
2 3 4 5	3 4 5 6	4 5 6	5 6 7	6 7	7 8

In adding columns begin at the top, but when verifying the work begin at the bottom, as that gives a different combination of figures. When the figures are arranged horizontally begin at the left. Add the following combinations:

$$8+2+6+4+7+3+5 \qquad 7+6+8+5+5+4 \qquad 9+5+7+7+7+3+7$$

$$8+4+6+6+8+7+6+4$$

Find the total sales of merchandise for the week:

	HAY	WHEAT	CORN	OATS	RYE	BARLEY	TOTAL
Mon	$4179 50	$6720 42	$8971 31	$978 92	$2740 51	$896 71	
Tues	2572 27	7930 00	7162 75	1641 00	4131 90	1010 91	
Wed	1823 00	9112 47	9230 00	3970 69	6070 71	3201 75	
Thurs	1679 80	7905 32	6441 25	897 92	4921 62	2977 00	
Friday	972 67	5872 55	8920 30	3800 74	5811 79	1690 82	
Sat	1250 49	4963 29	5752 00	2760 97	989 82	976 40	

Exercise in Addition

1				2				3			
DEBITS		CREDITS		DEBITS		CREDITS		DEBITS		CREDITS	
$257	60	$671	25	$2186	42	$2979	37	$1701	31	$2191	42
1327	00	1870	32	1879	80	1132	80	998	63	1872	90
1425	30	967	28	3597	33	2986	25	1762	12	2980	22
974	55	1307	90	1476	42	2479	35	2924	27	1798	79
1462	47	1498	72	989	74	1027	63	1762	82	2104	50
2120	00	1472	64	2776	45	997	82	1987	55	2707	55
1967	37	1967	45	1065	09	1862	50	2142	27	1097	42
3182	00	2098	32	1798	33	2443	96	1855	70	2191	35
1765	32	1163	37	3009	00	2782	76	3991	15	2962	91
2197	47	989	74	1664	81	1978	60	1431	29	1976	27
1017	45	1906	89	2727	40	2089	25	914	77	1062	15
4223	92	3475	90	3071	35	1995	81	1769	65	1949	72
2479	00	2364	37	1991	80	2687	20	2203	34	1572	33
3986	57	1787	43	1575	92	1979	37	3971	47	2699	54
1764	70	2628	80	2729	43	2984	10	2978	56	1762	31

Multiplication

There are many short cuts in multiplication, but unless such methods are thoroughly mastered by long practice they are in most cases only confusing to the student. A few of these devices are, however, merely suggested, and should any one think it worth while to pursue the subject further at this time, he may turn to his Commercial Arithmetic where he will find examples and illustrations in abundance.

As merchants often buy or sell at such prices as 33⅓c., 16⅔c., 12½c., etc., it becomes convenient to make use of such aliquot parts in shortening the labor of multiplication, thus the cost of 824 yd. at 12½c. is readily found by dividing 824 by 8, giving 103 for the answer. Solution, 12½c. is ⅛ of $1.00 and 824 × $⅛ = $103.

Aliquot parts of one dollar:

50c = $½	25c = $¼	16⅔c = $⅙	12½c = $⅛	8⅓c = $1/12
33⅓c = $⅓	20c = $⅕	14⅔c = $1/7	10c = $1/10	6¼c = $1/16

Exercises

1. Find the total cost of 720 yd. @ 25c., 438 yd. @ 16⅔c., 168 yd. @ 12½c., 927 yd. @ 33⅓c., 145 yd. @ 20c., 119 yd. @ 14⅔c., 480 yd. @ 8⅓c., 333 yd @ 22c.

To multiply a number by 66⅔c., first multiply by $1, and then deduct ⅓. The figures below may be dealt with in the same manner, as:

66⅔c = $1.00 − ⅓	80c = $1.00 − ⅕	87½c = $1.00 − ⅛
75c = $1.00 − ¼	83⅓c = $1.00 − ⅙	99c = $1.00 − $\frac{1}{100}$

2. Find the total cost of 450 bu. @ 66⅔c., 225 bu. @ 80c., 488 bu. @ 87½c., 920 bu. @ 75c., 132 bu. @ 83⅓c., 347 bu. @ 99c.

3. Find the total cost of 725 bbl. @ 50c., 366 bbl. @ 16⅔c., 248 bbl. @ 87½c., 98 bbl. @ 75c., 156 bbl. @ 36c., 316 bbl. @ 33⅓c., 58 bbl. @ 23c.

4. Find the total cost of 1950 yd. @ 33⅓c., 1286 yd. @ 27c., 225 yd. @ 75c., 1672 yd. @ 18c., 968 yd. @ 87½c., 1372 yd. @ 9c., 2842 yd. @ 50c., 2715 yd. @ 80c., 1836 yd. @ 10c., 1422 yd. @ 16⅔c., 2010 yd. @ 25c., 876 yd., @ 65c., 914 yd. @ 83⅓c., 1664 yd. @ 87½c., 1318 yds @ 43c., 718 yd. @ 20c., 1825 yd. @ 99c., 1523 yd. @ 18c.

5. A grocer bought goods invoiced as follows: 2 half chests oolong tea, 70 lb. ea., @ 33⅓; 2 bales mocha coffee, 150 lb. ea., @ 18½c.; 1 mat java coffee, 75 lb., @ 23c.; 2 bbl. crackers, 60 lb. ea., @ 7½; mixed candy, 120 lb., @ 12½c.; 4 boxes H. O., @ $2.33⅓; 2 bbl. sugar, standard B, 320 lb., ea., @ 4½c. Required the value of invoice.

6. A grocer makes sales as follows to George W. Dean: March 2, 6 lb. sugar @ 5½c.; 2 cans salmon @ 13c.; 2 loaves bread @ 5c.; 3 cans tomatoes @ 15c.; 1 sack flour, $1.45. March 4, 2 bu. potatoes @ 85c.; 1 pk. apples, 35c.; 6 cans corn @ 14c.; 1 bbl. flour $7.25; I can Royal baking-powder, 80c. March 7, 3 lb. raisins @ 23c.; 4 qt. cranberries @ 15c.; 2 gal. oil @ 16c.; 3 lb. crackers @ 10c.; 1 pkg. paris blue, 10c; 4 cakes soap @ 5c. Required total sales.

7. What is the cost of 1 case of prints containing 5 pc. 22, 38^{1}, 41^{3}, 27, 36^{2}, yd. @ 4½c.; 1 case of ginghams, 6 pc., 27^{2}, 34, 22^{2}, 41^{3}, 46, 36^{2}, @ 8½c.; 3 pc. black silk, 30, 35^{2}, 24, @ 99c.

Percentage

The principles of percentage have a practical application in the solution of problems of Profit and Loss, Commission, Trade Discounts, Interest, Insurance, Exchange, and various other subjects which demand the attention of the business man.

Exercises

1. What is 6% of 758?

2. What is 8% of 1350?

3. What is 20% of 1040?

4. What is 33⅓% of 1860?

5. What is the difference between 3% of $8750, and 5% of $4125?

6. What is your commission for selling merchandise amounting to $3850, if you receive 3½% for your services?

7. You have, as agent, collected $972. If your commission is 2½%, how much should you remit to your principal?

8. The gross amount of a bill of merchandise is $2375. If the total discount is 16⅔%, what is the net amount?

9. A invests 75% of his capital in the grocery business and has $2650 left. What is his entire capital?

10. B has invested 45% of his capital in real estate, 20% in railroad bonds, and has left $4235. What is his entire capital, and how much did he invest in real estate?

11. Goods were sold for $3600, which was 20% more than they cost; what was their cost?

12. A merchant sold an invoice of merchandise for $3,680, which was 15% more than it cost. How much did it cost?

13. B, who is insolvent, is able to pay his creditors only $12,600, which is 60% of his liabilities. What are his total liabilities?

14. The total resources of a bankrupt are $11,360, his liabilities $28,400; what per cent of his indebtedness is he able to pay?

15. The interest on $8250 for one year is $453.75; what is the rate of interest?

16. Goods which were bought for $725 were sold for $906.25; what per cent of the cost was the gain?

17. What is the selling price of an article which cost 25c. if sold at a profit of 60%?

18. If, by selling an article for 57c. you lose 5%, at what price must you sell it to gain 20%?

19. A merchant sells an article for $4.80, by which he makes a profit of 20%. How much would he gain or lose by selling it wholesale at a discount of 15% from the retail price?

20. A merchant has sold two invoices of merchandise for $2400; on one he gained 20% and on the other he lost 20%. Did he gain or lose, and how much?

21. The gross invoice is $3420. Discount 20%, 10% and 5% off. What is the net amount?

22. The gross invoice is $1875. Discount 25% and 5% off. What is the net amount?

23. The given invoice is $980. Discount 10%, 10% and 5% off. What is the net amount?

24. At what price should an article which cost $400 be marked so that a profit of 40% will still be made after allowing the purchaser 3% off from the price marked?

25. At what price should an article which cost $6.00 be marked so that a profit of 20% will be made after allowing the purchaser 20% and 10% off?

26. A merchant pays 2½% commission to his agent for purchasing a cargo of fruit valued at $478. After paying the commission and $15.35 for cartage, what was his net profit if he sold the cargo for $566.50?

27. If the net proceeds are $1513.20, and the commission is 3%, what was the gross amount of the sales?

28. You have sent to a commission merchant $2580.60 for the purchase of flour at $5.50 per bbl. The commission being 2% on the amount expended, how many bbl. were purchased.

29. A commission merchant receives $2357.50 to be invested in pork after his commission of 2½% has been deducted for purchasing. What was the amount invested?

Interest

Find the interest at 6% on the following amounts:

1. $426 for 70 days.
2. $720 for 22 days.
3. $657 for 30 days.
4. $544 for 5 days.
5. $368 for 90 days.
6. $1230 for 28 days.
7. $1520 for 50 days.
8. $927 for 43 days.
9. $1000 for 82 days.
10. $4375 for 95 days.

Find the interest on

11. $822 for 3 months, 15 days, at 6%.
12. $448 for 1 year, 2 months, 11 days, at 6%.
13. $276 for 2 months, 15 days, at 5%.
14. $627 for 3 months, 12 days, at 5%.
15. $1280 for 2 months, 5 days, at 7%, at 3%.
16. $819 for 3 months, 3 days, at 7%, at 5%.
17. $476 for 5 months, 10 days, at 4%, at 4½%.

Find the interest on

18. $290.40 from March 2 to May 15, at 6%.
19. $1825.80 from April 4 to July 6, at 5%.
20. $1764 from June 12 to Sept. 9, at 5%.
21. $1300 from July 2 to March 2, at 4%, at 4½%.
22. $915.60 from August 1 to Dec. 22, at 4%, at 9%.

Bank Discount

Find the date of maturity, the discount, and net proceeds of the following notes:

1. A note dated Jan. 3, time 60 days, face $430, discounted Jan. 15, at 6%.

2. A note dated Feb. 12, time 3 months, face $935.40, discounted Feb. 12, at 6%.

3. A note dated April 20, time 30 days, face $1500, discounted April 22, at 5%.

4. A note dated June 4, time 90 days, face $550, discounted June 12, at 7%.

5. On May 6, Wm. Smith gave you his note for $1860, payable in 60 days, with interest at 5%, from date. On May 10 you had the note discounted at 6%. Required net proceeds.

6. A note for $2145, dated Aug. 24, payable in 90 days, with interest at 6%, was discounted Sept. 1, at 6%. What are the net proceeds?

7. A note for $790, dated July 15, payable in 3 months, with interest at 5%, was discounted July 20, at 6%. What are the net proceeds?

8. A note for $1350, dated March 8, payable in 4 months, with interest at 6%, having matured a new note has been issued July 8, by the maker, including the accumulated interest payable in 90 days, at 6%. On July 15 this note was discounted at 7%. What are the net proceeds?

Examination Paper

(Selected questions in Business Arithmetic given by the University of the State of New York.)

1. The owner of a corner lot 60×100 feet wishes to lay a brick sidewalk 5 feet 4 inches wide on the two exposed sides. What will be the cost of the brick at $9.50 a 1000, if the face of one brick is 8×4 inches?

2. A New York merchant bought 8000 bushels of corn @ 45¼c. a bushel and sold it to a Rio Janeiro dealer for $1.45 a hectoliter. The seller's delivery expenses were $257.67; what was his gain in the transaction?

3. On a note for $2500, dated Jan. 2, 1904, the following payments have been made: Mar. 25, $179.92; July 9, $375; Nov. 21, $500.78. At 5% interest how much is due to-day? [Solve by United States rule.]

4. A commission merchant in Atlanta sells for a Rochester miller a consignment of 1450 bbl. flour @ $3.90, proceeds to be remitted by New York draft. If his commission is 2½% and other expenses amount to $47.68, for what amount must the draft be drawn when exchange is at ⅛% premium?

5. A dealer buys 1364 gross (long) tons of coal @ $2.98 a ton f. o. b. The freight is 7c. a 100 lb. and the cost of screening and hauling is $409.20. At what price a net (short) ton must this coal be sold to gain 20% on the dealer's entire expenditure?

6. A plumber buys fittings listed at $1200 with the option of successive discounts of 20, 10, 10 and 5, with 90 days credit, or 40% discount for cash; how much would he gain or lose by borrowing money at 6% to pay cash?

7. A grocer has tea at 25c., 50c., 60c., and 80c. a pound which he desires to blend in such proportions as to be worth 55c. a pound. Give the proportions.

8. Find the equated time for payment of the balance of the following account:

Dr.			*Cr.*		
May 10	Mdse 60 days.....	$458.50	Apr. 10	Mdse 30 days.....	$150.25
July 9	" 90 "	798.00	Sept. 19	Cash.....	375.00
Nov. 18	" 30 "	440.30	Nov. 25	"	750.00
Dec. 17	" 60 "	200.00	Dec. 9	Mdse 60 days.....	135.75

9. An importer mixed 35 liters of wine costing 1.75 francs a liter with 48 liters costing 2.15 francs a liter. Did he gain or lose by selling the entire mixture @ $1.75 a gallon and how much? [1 liter = 1.0567 qt.]

10. A New York merchant received from Germany an invoice of toys valued at 8436 marks, duty 50% ad valorem; from France 300 meters of silk invoiced at 4 francs a meter, duty 60%; from England 840 yards of woolen goods invoiced at 6s 6d a yard, duty 35%. Find, in United States money, the whole amount of duty paid by the merchant.

11. Dec. 5, 1905, a man sent his broker $5000 and requested him to buy 100 shares of railway stock then quoted at 89½; he ordered the broker to sell Dec. 30, when the stock had fallen to 88¼. How much is due the customer if the brokerage is ⅛% each way and the interest 6% on money advanced?

12. The net earnings of a certain gas company at the end of the year are $135,160. The amount of common stock is $1,600,000 and of preferred stock $500,000. The company declares a dividend of 3½% on preferred stock and sets aside $5660 for sinking fund. What is the rate of dividend declared on common stock and how much should a stockholder receive whose holdings of common stock amount to $7500?

13. A, B, and C form a partnership, investing $15,000, $10,000, and $8,000 respectively, gains and losses to be shared according to investment. On Jan. 1 their books showed the following resources and liabilities: merchandise on hand $15,678.10, value of furniture and fixtures $1500, cash on hand $4710.15, notes and drafts outstanding $3960.50 with interest accrued $83.89, notes and acceptances due the business $5018.75 with interest accrued $157.10, sundry creditors $7213.25, sundry debtors $15,705.90. Show the loss or gain and the present worth of each partner by making a statement of the business.

SINGLE AND DOUBLE ENTRY COMPARED

The single and double entry methods have already been compared and contrasted by means of words on page 111. That the student may have a clear conception of the points of resemblance and difference of these two systems, it is suggested that the essential forms of each be placed side by side, so that the eye may assist the mental vision.

Without very much labor, if the directions herein given are followed, the student can complete a journal and double entry ledger, which he may compare with a single entry set, fully worked out in this book. The single entry set referred to is the most elaborate of its kind in the book, and is found on pages 80 to 90, Set A.

It will be seen that this set is made up of five books, namely: day-book, sales-book, cash-book, bill-book, and ledger. Three of these books, sales-book, cash-book, and bill-book, may be used as double entry books, just as they stand, without any change except the insertion of footings.

Having made these observations open a new ledger and post the sales-book, pages 83 and 84, in just the same way you would a double entry sales-book, first ascertaining the total sales or footing. By using a lead pencil you may check these postings from the text-book without defacing it. Then turn to the cash-book p. 86, and post the cash receipts and payments at the end of each week. Be careful to post the actual receipts for each week and not the balance. You must now make a journal for all transactions not included in sales-book and cash-book. To shorten the work, make simply a journal without the explanations. You will find all the journal transactions on the following dates, p. 77: Sept. 4, 6, 12, 14, 16, 18, 19, 20, 22, 27, 29. In posting the journal, guard against the mistake of entering the partners' cash investment twice.

Now, with your double entry ledger completed, compare it with the single entry one on page 88, and note that the personal accounts are the same in number and amounts, and that the new accounts are those which show the gains and losses.

Should you desire to make further comparison, complete your statement and place it alongside of that on p. 90, and finally compare your journal with the single entry day-book.

Changing from Single to Double Entry

If you have read carefully what has been said on the preceding pages and carried out the suggestions there given, you will see that it is a very simple matter to change a set of books from single to double entry.

The first step in the process is to ascertain the value of unsold property and make a statement of the resources and liabilities from the single entry books. The next step is to check every account in the statement which already appears in the ledger, and open an account in the ledger for each of the remaining ones in the statement, being careful to debit every account which shows a resource, and credit every one that shows a liability. If the proprietor's account has been correctly kept in the single entry ledger so that it shows the gain or loss for the preceding period, it will then show a sum which will equal the net capital. You should now test your work by taking off a trial balance.

Exercises

1. On July 1, 19—, George F. Beach, who has been keeping his books by single entry, decided to change to double entry, using the same ledger pages. The abstract of his ledger is as follows:

Dr.		*Cr.*
	George F. Beach, (Proprietor)	$6984.15
$542.75	William Goodwin	150.00
395.50	Albert Gates	60.00
	S. C. Phipps	830.65
240.80	J. P. Robbins	
175.50	A. V. Lockwood	425.40
785.25	John Dillon	

He has cash on hand $370.40. His merchandise is valued at $5000. Store fixtures $780. He holds Edgar Knapp's note for $160.

Before beginning the process of changing enter the above personal accounts in single entry form of ledger, giving three lines to each account. Then make a statement showing all the above resources and liabilities. Check each personal account in your statement because it is already in your ledger. Then open accounts with Merchandise, Store Fixtures, and Bills Receivable, debiting each. As the proprietor's account appears in the single entry ledger, showing his net investment at the present time, it must represent a sum equal to the difference between your resources and liabilities. Prove your work by means of a trial balance.

2. James F. Marsh, on April 1, 19—, decided to change his system of accounts from single to double entry. His own account being properly credited for his net capital at that date.

His property consists of merchandise per inventory $6752.80; cash $1527.60; furniture and fixtures $480; two notes signed by H. E. Meyer, one for $225, and the other for $150. He owes on a note, due April 2, 19—, $460. His ledger shows accounts as follows:

Dr.		*Cr.*
	James F. Marsh, (Proprietor)	$8486.45
$122.50	E. B. Peck	50.00
	Oakley & Norden	326.30
85.40	George Murray	20.00
340.35	F. W. Pearson	125.00
210.00	H. H. McDonald & Co.	160.40
34.80	R. E. Kirby	

3. Write up set B, page 162, in single entry form, using a cash-book, day-book, bill-book, and ledger. After completing the set and making a statement, change from single to double entry and continue with Set B. B., page 233. For the double entry work use as far as possible the same books used in single entry, adding the journal day-book.

4. From the transactions of Set II, page 171, make two complete sets of books, one of single entry, the other of double entry. In each set use a cash-book, sales-book, bill-book, ledger, and only such other books as are absolutely necessary to each system.

In Changing from Double to Single Entry close the merchandise account, and other accounts in the ledger which show gain or loss, into the Loss and Gain account, but in no event should the inventory

or balance be brought down. If a cash account has been kept in the ledger, close it "by balance," but do not bring the balance down. Proceed in the same way to balance and close all the accounts excepting the personal and proprietor's account. The ledger will now conform to the single entry system.

The cash account should now appear only in the cash-book and the Bills Payable and Bills Receivable only in the bill-book.

Exercises

1. After working Example 2, page 171, in double entry, close all the accounts in the ledger which should be closed, in order to make it a single entry ledger.

2. Select from your work any double entry ledger which has been completed, and convert it into a single entry ledger.

TECHNICAL TERMS

An Auditor is one who is authorized to examine or audit an account, compare charges with vouchers, and do such other things as may be necessary to test the accuracy of the record.

A Trial Balance, as heretofore defined, is an exhibit of all the ledger accounts, showing the total debits and credits of each. It is also a trial balance, if, instead of exhibiting the totals, merely the debit balance and credit balance of each account are shown, for in both cases the equilibrium of the ledger is proved, or disproved, by the equality or inequality of the footings.

A Complete Financial Statement, resulting from an analysis of the ledger accounts as they appear in the trial balance, is a paper showing the entire resources, liabilities, gains, losses, net gain, or net loss and net capital, or net investment.

A Balance Sheet is usually a statement of merely the resources, liabilities, and net capital, or net insolvency. The net capital being entered in the column for liabilities makes the columns balance.

Controlling Account is the name given to that account in the general ledger which represents and summarizes special accounts kept in a subsidiary ledger. For example "Accounts Receivable" in the general ledger is the controlling account for the Sales Ledger. Likewise "Accounts Payable" is the controlling account for the Purchase Ledger.

Collateral is additional security in the form of a pledge, for the

payment of a debt, or performance of some obligation. Bonds, notes, certificates of stock, bills of lading, and warehouse receipts, are different kinds of collateral in common use.

Capital in its broadest sense signifies the resources of every description which belong to a firm or corporation. The word is sometimes used to represent the difference between the resources and liabilities, but net capital is the more appropriate word in this case. Capital is also used by some as a ledger account in the place of "Stock" or "Proprietor's" account.

Capital Stock. See corporations, p. 354.

Documentary Bill is a bill or draft drawn on the consignee by the shipper and to which draft before being negotiated are attached the documents known as invoice bill of lading, and insurance policy.

Fixed Charges are charges becoming due at regular intervals, and to be paid from the revenue or income of the company. Interest on bonds and taxes on the franchise are called fixed charges.

Floating Indebtedness is a term applied to the current debts of a concern in contradistinction to the permanent indebtedness represented by bonds and mortgages.

Hypothecate. To hypothecate stocks and bonds is to place them in the hands of some one as collateral security for a debt.

A Nominal Account is one that does not represent either persons or property. Interest, Discount, Commission, Rents, Insurance, Advertising, and Wages, are all included in this class.

Plant is a term which includes Buildings, Machinery, Tools, Fixtures, Horses, Wagons, and such property of permanent form as is required to carry on the business.

Reserve Fund is a term applied appropriately to an amount reserved or set aside by a company or corporation for the payment of contingent expenses, or any special claim.

Redemption Fund is a sum accumulated from the profits of the business, and which is set aside for the purpose of redeeming or paying off bonds. Funded debts are debts represented by bonds and are distinguished from floating indebtedness.

Stock is a term frequently used to represent the Proprietor's account or the Capital account. It is also used to denote the merchandise or goods bought and sold by merchants. "Taking Stock," an expression used by the merchant, means making an inventory of unsold goods. Stock also means shares of the Capital Stock of a railroad or industrial corporation.

A Sinking Fund is a sum accumulated by a government, State, or municipality, and set apart for the payment of some particular debt or expense.

Review

1. What is an auditor? **2.** Define and differentiate each term: Trial Balance, Complete Financial Statement, Balance Sheet. **3.** What is meant by "Controlling Account"? **4.** What do you understand by Collateral? **5.** Define Capital; Capital Stock. **6.** What is a Documentary Bill? **7.** Define the terms Fixed Charges; Floating Indebtedness. **8.** What is meant by Hypothecation? Illustrate. **9.** Give an example of what is called a Nominal Account. **10.** What does the term Plant include? **11.** What is a Reserve Fund; Redemption Fund? **12.** What is meant by Stock?

SET L

Illustrating a Six-Column Cash-Book, Invoice-Book, etc.

Books Required. In recording the transactions of this set the following books are used: Journal, cash-book, invoice-book, sales-book, and ledger, also, as auxiliary books, a check-book, and bill-book. The first four books constitute the books of original entry from which all accounts are posted. The journal is used only for transactions which cannot properly be entered elsewhere.

The Invoice-book is used for recording all purchases of merchandise. The form of this book is given on page 274. As soon as the invoice is O. K.'d it should be entered, and the person from whom the purchase has been made should be credited immediately in the ledger. At the end of the day, or at any convenient period, the footing of the invoice book should be posted to the Dr. side of the merchandise account in the ledger.

Sales-Book. Upon completing the entry in the sales-book the amount should at once be carried to the ledger, debiting either the proper personal account, or the C. O. D. account, as the case requires. The totals of each column should be posted, crediting merchandise for the footing of the charge sales, also for the footing of the C. O. D. sales.

The cash-book, differing slightly from preceding forms, contains three columns on each side. The purpose of this arrangement is to save labor, dispense with certain journal entries, and avoid contra entries in the cash-book. It will be observed, on turning to the cash-book page, that on the left-hand side there is a column marked, "Net Cash Dr." in which is entered all cash received, no matter from what source. In this respect it does not differ from the ordinary cash-book. The column marked, "Mdse Sales Cr." is reserved exclusively for money received from the cash sales of merchandise. In the "Mdse Disct Dr."

column is entered the amount of discounts which have been allowed to others for prompt payment. This discount added to the net cash received in any given case will equal the original invoice.

Posting the debit side. At the time the entry it made in the cash book each account which is not represented in the "Mdse Sales Cr." column, should be posted or credited in the ledger. At the end of the day or at some convenient time, the footing of the "Mdse Sales Cr." column should be carried to the credit side of the Merchandise account in the ledger. Then the footing of the "Mdse Disct Dr." column should be carried to the Dr. side of the Merchandise Discount account in the ledger. The footing of the "Net Cash Dr." column is not posted.

Posting the credit side. All entries on this side, except those in "Expense Dr." column should at the time of their entry be posted or carried to the Dr. side of their respective accounts in the ledger. The footing of the "Expense Dr." column should be carried to the Dr. side of the Expense account in the ledger. Finally, the footing of the column for "Mdse Disct Cr." should be posted to the credit side of the Merchandise Discount account in the ledger. The footing of the "Net Cash Cr." column should not be posted.

No cash account will be kept in the ledger. In making a trial balance enter on the Dr. side only the balance of cash on hand, instead of the total debits and credits.

DIRECTIONS. Before beginning this set in your own books you should post from the forms as far as they are worked in the text-book. On a sheet of ledger ruled paper, post first from the invoice-book, then from the cash-book, and then from the sales-book, after which make a trial balance to prove your posting.

Buffalo, April 1, 19—. James C. Bates and George A. Cooper have this day entered into partnership for the purpose of carrying on the wholesale and retail Grocery Business in the city of Buffalo, under the firm name of Bates & Cooper.

The partnership is to be continued for three years, unless dissolved sooner by mutual consent. Each partner is to give his entire attention and best efforts to the advancement of the business, and shall not withdraw from his investment or profits, except upon agreement, a sum in excess of $150 per month until, at the end of a given period agreed upon, when each partner may withdraw his full share of the profits. Neither party shall assume any liabilities outside of the business without the consent of the other. A full and complete set of books shall be kept to which both shall have access, but shall be under the special charge of James C. Bates.

DIRECTION.—Write the articles of copartnership. See Legal Forms, p. 379.

Mr. Bates brings into the business resources and liabilities of his former business as follows: Cash, $5,270.50; Merchandise, per inventory, $8,572.40;

Furniture and Fixtures, $1,482; a note of $2,500, signed by Richard Duncan, at 3 months, dated Jan. 10, 19—, due April 10, with accumulated interest for 81 days at 6%, $33.75, and the following balances due from customers: John Barlow, $627.50; Miller & Scott, $564.25; B. F. Kellogg, $315.75; Wm. C. Fry, $96.85; Henry Stokes, $287.50. He owes the following balances: Edward Mann & Co., $860.50; J. L. Perry, $557.90; Smith & Williams, $925.40. George A. Cooper invests cash $17,406.70.

EXPLANATION.—An account has been opened with the Merchants' National Bank, and this $17,406.70 invested by Cooper, with the $5,270.50 invested by Bates, making $22,677.20, should be entered in the stub of the check book. Every deposit made and every check drawn should be accounted for in the stub.

Purchased from Samuel Forbes the storeroom now occupied by the firm, agreeing to pay for the same the sum of $40,000, as follows: $15,000 in cash, check No. 1, and a mortgage for $25,000 with interest at 6%, payable annually on the first day of April.

EXPLANATION.—The journal should complete the record in detail of the purchase of the store, debiting Real Estate and crediting Mortgage Payable.

Paid, per Check No. 2, for insurance on building for one year $154, and on stock of goods $130.

April 2. Sold to J. H. Blackwell & Co., Oswego, terms 2% off 10 days, net 60 days, 2 half chests oolong tea, 100 lb., @ 70c.; 2 bags mocha coffee, 250 lb., @ 20c.; 5 cases Royal baking-powder @ $4.10; 2 bbl. granulated sugar, 650 lb., @ 5c. Paid for books and stationery $22.50. Received for cash sales of merchandise $282.65.

April 3. Bought of Edward Mann & Co., Buffalo, terms 2% off 10 days, net 30 days, 50 bbl. patent flour @ $4.60; 40 bbl. Pillsbury flour, No. 1, @ $4.70. Accepted Edward Mann & Co's draft on us at 10 days for $860.50, payable at Merchants' National Bank. Received of Miller & Scott their draft on New York for $350, which we have deposited. Cash sales of merchandise $125.80. Deposited $380.

April 4. Bought at par, per check No. 3, a New York draft for $500 and sent same to J. L. Perry, 34 Chambers St., New York, to apply on account. Sold to J. P. Holland, C. O. D., 1 bbl. standard A sugar, 325 lb., @ 4½c.; 1 half chest Japan tea, 75 lb., @ 40c.; 2 doz. bottles mixed pickles, @ $2.10. Received for cash sales of merchandise $270.35. Deposited $450.

EXPLANATION.—In remitting to Perry write the check on your bank for amount of New York draft, then write the draft as the bank would make it on Chemical National Bank of New York. See that it is payable to your order and then indorse it in full to J. L. Perry.

April 5. Bought of J. L. Perry, New York, terms 2% off 10 days, net 60 days, 5 bales mocha coffee, 750 lb., @ 25c.; 4 mats fancy java coffee, 300 lb., @ 23c; 5 half chests Y. H. tea, 350 lb., @ 25c. Sold to Henry Stokes, City, terms 2% off 10 days, net 30 days, 10 bbl. patent flour @ $5.10; 2 bbl. granulated sugar, 650 lb., @ 5½c.; 2 bbl. standard A sugar, 650 lb.,

@ 5c.; 3 half chests oolong tea, 150 lb., @ 70c. Received for cash sales $192.40.

April 6. Received of Wm. C. Fry his check on the Second National Bank for $96.85, which we have deposited. Paid cartage $12.50. Bought draft on New York, check No. 4, for $925.40, and sent same to Smith & Williams, New York, in settlement of their account. Cost of exchange on draft 93c. Received of Miller & Scott their acceptance at 10 days for balance due us, $214.25. Cash sales of merchandise $137.80. Deposited $135.

EXPLANATION.—This draft which you have bought from your bank should be payable to your order and you should indorse it to Smith & Williams. In this case your bank has charged you 93c. for exchange. Your check should cover the amount of the discounted bill, plus the exchange. Observe how the entry appears in the cash-book.

April 8. Sold to John Barlow, Ithaca, terms 2% off 10 days, net 60 days, 5 boxes layer raisins, 100 lb., @ 15c.; 3 half chests oolong tea, 150 lb., @ 70c.; 2 bales mocha coffee, 300 lb., @ 30c. Drew check No. 5 for petty expenses, P. C. B., $25. Paid for advertising $18.50. Received for cash sales $211.30.

April 9. Bought of Smith & Williams, New York, terms 2% off 10 days, net 30 days, 20 bbl. granulated sugar, 6,400 lb., @ 4½c.; 10 bbl. brown sugar, 3,000 lb., @ 4c. Paid freight and cartage, $13.25. Received for cash sales $182.60. Deposited $350.

April 10. Richard Duncan has given us a certified check for $2,537.50 in payment of his note due this day with interest. Face of note $2,500. Interest accumulated to April 1, $33.75. Interest from April 1, to date, $3.75. Deposited the above check. Sold to Wm. Rouse, C. O. D., 4 cases Cleveland baking-powder, @ $5.50; 3 boxes evaporated apricots @ $2.20; 2 doz. bottles mixed pickles @ $1.75. Remitted to J. L. Perry, draft on New York, per check No. 6, for $57.90. Received for cash sales $196.40.

April 11. Sold to Miller & Scott, terms 2/10, n/60 (2% off 10 days, net 60 days), 2 bales mocha coffee, 300 lb., @ 27c.; 2 half chests Y. H. tea, 140 lb., @ 45c.; 5 half chests oolong tea, 250 lb., @ 60c. Bought, per check No. 7, draft on New York at par and sent same to Edward Mann & Co. in payment of their invoice of April 3, of $418. Deducting merchandise discount, $8.36, the draft amounts to $409.64. Received for cash sales $167.42.

April 12. Bought of J. L. Perry, New York, terms 2/10, n/60, 10 half chests oolong tea, 500 lb., @ 60c.; 5 mats fancy java coffee, 370 lb., @ 22c. Drew check No. 8 for petty expenses, $10. J. H. Blackwell & Co. have paid their bill of April 2, less 2%, by draft on New York, which we have deposited, Received for cash sales, $218.20.

April 13. Paid J. L. Perry, per draft on New York, for invoice purchased on April 5, $341.50, less 2%; bought the draft per check No. 9, paying 50c. for exchange. Received of Henry Stokes his check for $219.76, being net amount of purchase of the 5th. The merchandise discount

(2% off), is $4.49. We have drawn check No. 10 for $860.50, to order of bills payable, and delivered same to our bank, in settlement of our acceptance paid this day, favor of Edward Mann & Co.* Received from C. O. D. Department cash $80.93. Deposited $785.

DIRECTIONS.—Here, at the end of two weeks, you should post from all the books of original entry and test the accuracy of your ledger by making a trial balance.

April 15. The partners have agreed to draw cash from the business each to the amount of $3,500, check No. 11 being drawn for Bates and No. 12 for Cooper. Sold to Wm. C. Fry, terms 2/10, n/60, 3 half chests oolong tea, 150 lb., @ 65c.; 3 bales mocha coffee, 150 lb., @ 25c. Received for cash sales $225.30.

April 16. Bought of Edward Mann & Co., terms 2/10, n/60, 30 bbl. Pillsbury flour No. 1, @ $4.75; 40 bbl. patent flour No. 2, @ $4.50. Miller & Scott's acceptance of the 6th, for $214.25, has been paid and passed to our credit in the bank. Paid freight and cartage $9.50.

April 17. Received certified check from John Barlow, in payment of his bill of the 8th, for $210; Merchandise discount $4.20, amount of check $205.80, which we have deposited. B. F. Kellogg has given us his note at 10 days, in settlement of his account, $315.75. Received for cash sales, $188.45. Deposited $400.

April 18. Sold to Geo. Cady, C. O. D., 2 boxes evaporated apricots, 50 lb., @ 15c.; 3 boxes layer raisins, 60 lb., @ 18c. Paid Smith & Williams for invoice of the 9th for $408, less $8.16, by draft for net proceeds, $399.84, purchased by check No. 13 on our bank.

April 19. Bought of J. L. Perry, terms 2/10, n/60, 6 mats fancy java coffee, 450 lb., @ 24c.; 4 bales mocha coffee, 600 lb., @ 27c.; 6 half chests Y. H. tea, 420 lb., @ 28c. Drew check No. 14 for $15 for petty expenses. Received for cash sales $246.25.

April 20. Sold to J. H. Blackwell, terms 2/10, n/60, 4 bbl. granulated sugar, 1,300 lb., @ 5c.; 30 boxes chocolate, 360 lb., @ 25c.; 5 half chests Japan tea, 250 lb., @ 40c. Received of John Barlow his draft on New York for $450, which we have deposited.

April 22. Sold to Henry Stokes, terms 2/10, n/60, 10 kits mackerel @ $2.70; 3 bales mocha coffee, 450 lb., @ 28c. Paid J. L. Perry, per draft on New York for invoice of the 12th, $381.40, less 2%. Bought draft per check No. 15, paying 50c. for exchange.

April 23. Bought of Smith & Williams, terms 2/10, n/60, 25 bbl. granulated sugar A, 8,000 lb., @ 4½c.; 12 bbl. white sugar, 3,600 lb., @ 4c. Received for cash sales $270.85. Deposited $410.

April 24. Sold to James Gilbert, C. O. D., 4 doz. bottles mixed pickles @ $1.80; 1 half chest oolong tea, 50 lb., @ 72c. Paid for advertising $23.45.

April 25. Wm. C. Fry has sent us a certified check for net amount of

* Your note drawn payable at your bank is usually paid by the bank without drawing a special check, but some follow the above practice.

his purchase of the 15th, which we have deposited. Received for cash sales $263.90.

April 26. Sold to B. F. Kellogg, terms 2/10, n/60, 10 bbl. patent flour, No. 2, @ $4.50; 2 half chests oolong tea, 100 lb., @ 75c.

April 27. Our bank has collected and passed to our credit B. F. Kellogg's note of $315.75.

April 30. Received for cash sales $304.60. Deposited $560.

Make a financial statement, dating it May 1, 19—. The merchandise on hand is valued at $6,982.50; furniture and fixtures at their cost, $1,482; and real estate at $40,000. Expense inventory, prepaid insurance, $260.34. There is a liability in the form of interest payable of $125, accumulated interest on the mortgage. This $125 should also appear among the losses in the statement. Net gain $557.64.

Review

1. Name the books used in Set L and describe each. **2.** Which are the books of original entry? **3.** What kind of books are accepted in court as the best evidence of a record? **4.** What is the purpose of using many columns in the cash-book? **5.** Describe the method of posting from the cash-book. **6.** How is the sales-book posted? **7.** Why have you kept no cash account in the ledger? **8.** Without such an account how can you make your trial balance prove your work? **9.** On April 13, a check has been drawn to Bills Payable. Is this the usual practice in such cases? **10.** Explain the method of dealing with C. O. D. Sales.

Invoice-Book

April 3, 19—

Edward Mann & Co. Buffalo				
Terms 2% off 10 days, net 30 days.				
50 bbl. patent Flour, @ $4.60.....	$230	00		
40 " Pillsbury No. 1, @ 4.70.....	188	00	$418	00
5				
J. L. Perry 34 Chambers St., New York				
Terms 2% off 10 days, net 60 days.				
5 bales mocha coffee, 740 lb., @ 25c.....	185	00		
4 mats fancy java, 300 lb., @ 23c.....	69	00		
5 half chests Y. H. tea, 350 lb., @ 25c...	87	50	341	50
9				
Smith & Williams 95 W. Broadway				
Terms 2% off 10 days, net 30 days.				
20 bbl. granulated sugar, 6400 lb., @ 4½c.	288	00		
10 bbl. brown sugar, 3000 lbs., @ 4c. ...	120	00	408	00
12				
J. L. Perry 34 Chambers St., New York				
Terms 2/10 n/60.				
10 half chests oolong tea, 500 lb., @ 60c.	300	00		
5 mats fancy java coffee, 370 lb., @22c..	81	40	381	40
			$1548	90

Sales-Book

April 2, 19—

F		CHARGE SALES		C. O. D. SALES	
	J. H. Blackwell & Co. Oswego, N. Y.				
	Terms 2% off 10 days, net 60 days.				
	2 half chests oolong tea, 100 lb., @ 70c..... $70.00				
	2 bags mocha coffee, 250 lb., @ 20c..... 50.00				
	5 cases Royal baking-powder, @ $4.10 ..... 20.50				
	2 bbl. granulated sugar, 650 lb., @ 5c..... 32.50	$173	00		
	4				
	J. P. Holland				
	Terms C. O. D.				
	1 bbl. standard A sugar, 325 lb., @ 4½..... 14.63				
	1 half chest Japan tea, 75lb., @ 40c..... 30.00				
	2 doz. bottles mixed pickels, @ $2.10..... 4.20			$48	83
	5				
	Henry Stokes City				
	Terms 2% off 10 days, net 30 days.				
	10 bbl. patent Flour, @ $5.10..... 51.00				
	2 bbl. granulated sugar, 650 lb., @ 5½c..... 35.75				
	2 bbl. standard A sugar, 650 lb., @ 5c..... 32.50				
	3 half chests oolong tea, 150 lb., @ 70c....105.00	224	25		
	8				
	John Barlow Ithaca				
	Terms 2% off 10 days, net 60 days.				
	5 boxes layer raisins, 100 lb., @ 15c..... 15.00				
	3 half chests oolong tea, 150 lb., @ 70c 105.00				
	2 bales mocha coffee, 300 lb., @ 30c 90.00	210	00		
	10				
	Wm. Rouse				
	Terms C. O. D.				
	4 cases Cleveland baking-powder, @ $5.50... 22.00				
	3 boxes evaporated apricots, @ 2.20..... 6.60				
	2 doz. bottles mixed pickles, @ 1.75..... 3.50			32	10
	11				
	Miller & Scott Auburn				
	Terms 2% off 10 days, net 60 days				
	2 bales mocha coffee, 300 lb., @ 27c.....$81.00				
	2 half chests Y. H. tea, 140 lb., @ 45c.....63.00				
	5 half chests oolong tea, 250 lb., @ 60c.....150.00	294	00		
		$901	25	$80	93

Cash Receipts

		F	ACCOUNTS CREDITED	MDSE DISCT. DR.	MDSE SALES CR.	NET CASH DR.
April	1		James C. Bates, Investment.....			$5270 50
"	1		George A. Cooper, Investment ...			17406 70
"	2	✓	Mdse, Sales.....		$282 65	282 65
"	3		Miller & Scott, N. Y. Draft on % .			350 00
"	3	✓	Mdse, Sales.....		125 80	125 80
"	4	✓	Mdse, Sales.....		270 35	270 35
"	5	✓	Mdse, Sales.....		192 40	192 40
"	6		Wm. C. Fry, On %.....			96 85
"	6	✓	Mdse, Sales.....		137 80	137 80
"	8	✓	Mdse, Sales.....		211 30	211 30
"	9	✓	Mdse, Sales.....		182 60	182 60
"	10		Bills Receivable, Duncan's note ..			2500 00
"	10		Interest Receivable, " " ..			33 75
"	10		Interest " " ..			3 75
"	10	✓	Mdse, Sales.....		196 40	196 40
"	11	✓	Mdse, Sales.....		167 42	167 42
"	12		*J. H. Blackwell & Co., Inv. of Apr. 2, less 2%.....	$3 46		169 54
"	12	✓	Mdse, Sales.....		218 20	218 20
"	13		Henry Stokes, Inv. of Apr. 3, less 2%	4 49		219 76
"	13		C. O. D. Department, Sales.....			80 93
				$7 95	$1984 97	$28116 70

* In posting such cases credit the person for amount of invoice, $3.46 + $169.54

Cash Payments

		F	ACCOUNTS DEBITED	MADE DISCT. CR.	EXPENSE DR.	NET CASH CR.
April	1		Real Estate, Store room			$15000 00
"	1	✓	Expense, Ins. on Store $154, on goods, $130		$284 00	284 00
"	2	✓	Expense, Books and Stationery		22 50	22 50
"	4		J. L. Perry, N. Y. Draft on %			500 00
"	6	✓	Expense, Cartage		12 50	12 50
"	6		Smith & Williams, In full of %			925 40
"	6	✓	Expense, Exchange on N. Y. Draft		93	93
"	8	✓	Expense, Petty Cash-Book		25 00	25 00
"	8	✓	Expense, Advertising		18 50	18 50
"	9	✓	Expense, Freight and Cartage		13 25	13 25
"	10		J. L. Perry, On %			57 90
"	11		*Edward Mann & Co., Inv. Apr. 3, less 2%	$8 36		409 64
"	12	✓	Expense, Petty Cash-Book		10 00	10 00
"	13		J. L. Perry, Inv. Apr. 5, less 2%	6 83		334 67
"	13	✓	Expense, Exchange		50	50
"	13		Bills Payable, Favor of Mann & Co.			860 50
				$15 19	$387 18	$18475 29

* The amount to be posted is the discount plus the net cash.

SALES LEDGER

A sales ledger, known also as a charge ledger and customers' ledger, is a book in which are entered the debits and credits relating to customers. (See form below.) The main purpose of the sales ledger is to remove from the general ledger that large class of accounts known as personal or customers' accounts. To accomplish this purpose and still maintain the equilibrium of the general ledger, there has been substituted in the general ledger an account which controls or summarizes all the accounts of the sales ledger and is known as "Accounts Receivable," the total debits of which will agree with the sum of the debits of the sales ledger and the credits with the total credits of the sales ledger. It should be understood that a sales ledger is of itself not expected to balance like the general ledger, and that the postings are not made from one ledger to another.

Posting from the sales-book is made to both the general ledger and sales ledger; to the sales ledger by debiting the individual for the items and amount of the sale; to the general ledger in a manner similar to that employed in the last set, but with this slight difference: Instead of debiting individuals in the general ledger for their respective debts or purchases, the account called "Accounts Receivable" should be debited for the lump sum, or the footing of the sales-book. The merchandise is then credited for the sales-book footing as has been done heretofore. In this way results are shown and the general ledger kept in balance.

Posting from the cash-book. When the customer pays cash the amount is posted at once to his account in the sales ledger. In the cash-book on the debit side there should be a special column marked "Accounts Receivable Cr." in which is entered all cash received from customers. The total or footing of this column should be posted to the credit side of "Accounts Receivable" in the general ledger.

Posting from the journal. Should a customer give his note on account, a journal entry is required, debiting "Bills Receivable" and crediting "Accounts Receivable," and should be so posted to the general ledger. The journal explanation should show whose account in the sales ledger is to be credited. Should merchandise be returned, debit merchandise and credit "Accounts Receivable." Credit, also, in the sales ledger, the individual who returned the goods. These are the general methods. Special cases will be dealt with as they arise.

Sales Ledger

		JOHN JONES Kingston, N. Y.	DEBITS	CREDITS	DEBIT BALANCE
19—					
Jan.	4	15 Silk, 90, 13.50 6 Velvet 2.10, 12.60.	$26 10		$26 10
"	8	Cash		$12 00	14 10
		WILLIAM SMITH 402 W. 72d St.			
19—					
Jan.	6	42 Carpet 1.50	$63 00		$63 00
"	20	Cash		$25 00	38 00
		JAMES BROWN Peekskill, N. Y.			
19—					
Jan.	15	2 Rugs 35, 70 1 Easy chair, 22.50	$92 50		
"	15	Cash		$50 00	$42 50

The abstract of the sales ledger shows the debit balance of each account and the total amount due from customers, which sum should agree with the balance of "Accounts Receivable."

Abstract of Sales Ledger

F			
	John Jones	$14 10	
	William Smith	38 00	
	James Brown	42 50	
	Balance Accts. Rec. General Ledger		$94 60
		$94 60	$94 60

Exercises in Sales Ledger

For these short exercises there is needed a sales ledger ruled like that above; a general ledger with space for two accounts; an ordinary sales-book sheet, and a cash-book with one column on the Cr. side and two on the Dr. side, one of which is marked "Net Cash Dr." and the other marked "Accounts Receivable Cr." Before beginning this exercise the pupil should test his knowledge of the subject by the questions on page 324.

Exercises

1. Jan. 4. Sold to John Jones on ℅, 15 yd. silk @ 90c.; 6 yd. velvet @ $2.10. (Make entry first in sales-book, then debit Jones's ℅ in the sales ledger.)

Jan. 6. Sold to William Smith, 42 yd. carpet @ $1.50.

Jan. 8. John Jones has paid us $12 on %. (Enter in cash-book, then credit Jones's account in sales ledger. Always show in sales ledger the debit balance after each purchase or payment.)

Jan. 15. Sold to James Brown, 2 rugs @ $35; 1 easy chair, $22.50. He has given us $50 in part payment. (Debit Brown in sales ledger for $92.50, then credit him for $50. Make entry also in cash-book.)

Jan. 20. Received of Wm. Smith cash on % $25. (Enter in cash-book and sales ledger.)

DIRECTIONS.—In the general ledger credit merchandise for the footing of the sales-book, $181.60, and instead of debiting Jones and Smith and Brown debit the account called "Accounts Receivable," for the total amount. From the cash-book you learn that cash is Dr. $87. Instead of crediting the various persons who have paid this amount you should credit "Accounts Receivable" in the general ledger for the footing of the column marked "Accounts Receivable Cr." Make a trial balance of the general ledger, including the cash on hand. The amount shown by the abstract of the sales ledger should agree with the balance in "Accounts Receivable."

2. Using the same number of books as in above exercise make a sales ledger from the transactions on page 64, beginning with March 1 and omitting the 3d, 8th, 12th, and 18th. For each exercise make an abstract of the sales ledger.

3. Feb. 1. Sold to John Marshall 60 yd. carpet @ $1.20; 1 extension table, $28. Received from him $50 in part payment.

Feb. 3. Sold to Henry Davis 1 brass bed $63. Paid freight charges at his request, $2.25. (After crediting cash for this $2.25, debit Accounts Receivable in the general ledger. Debit Davis also in the sales ledger.)

Feb. 5. Sold to F. W. Sanford 2 Smyrna rugs @ $45.

Feb. 7. John Marshall has returned extension table for which we have credited him $28. (In journal debit merchandise and credit Accounts Receivable. Credit also Marshall.)

Feb. 9. Received of Henry Davis $20 on %.

Feb. 11. Sold to John Marshall 1 sideboard, $67.50, on which he has paid $25.

Feb. 13. Received of F. W. Sanford on % his note at 5 days for $75.

If further practice in the sales ledger is desired, before beginning Set M turn to Set A, page 77. In posting the sales-book from that set, credit merchandise for the footing, but debit Accounts Receivable and Bills Receivable.

THE PURCHASE LEDGER

The Purchase Ledger is a book in which is kept exclusively the debits and credits relating to purchases. It is the counterpart of the sales ledger and if the pupil understands the one he will have no difficulty with the other. As the sales ledger accomplished the removal from the general ledger of customers' accounts by substituting "Accounts Receivable," so the purchase ledger removes from the general ledger the accounts of those from whom goods are purchased by substituting "Accounts Payable."

In posting the general ledger Accounts Payable is credited for the footing of the invoice-book, and Mdse. is debited. From the credit side of the cash-book the footing of the column marked "Accounts Payable" is posted to the debit side of Accounts Payable in the general ledger.

In posting the purchase ledger the individual accounts should be credited from the invoice-book for the separate purchases. The payments for these purchases as entered in the cash-book should be carried to the debit side of the individual's account in the purchase ledger. In some cases entries are also brought from the journal.

The form of the purchase ledger is shown on page 330. The pupil should trace the entries found therein from the invoice-book on page 327. Trace also to the sales ledger the entries from the cash-book, page 328. The abstract of this purchase ledger is given below.

Abstract of Purchase Ledger

	James Dunlap & Co.			$1108	90
	Burwell Mfg. Co.			570	00
	Scott & Wilson			868	95
	Walter Lockwood			659	25
	Balance Accts. Pay., General Ledger	3207	10		
		$3207	10	$3207	10

Review

1. What is a sales ledger? **2.** By what other names is it known? **3.** State a purpose or result of keeping a sales ledger. **4.** What controlling or summary account is substituted for the personal accounts in the general ledger? **5.** With what do the total debits and credits of the sales ledger agree? **6.** Is a sales ledger expected to be in balance? **7.** Could it possibly be in balance? Explain. **8.** Are the postings to be made from one ledger to another? **9.** Mention the books from which postings are made. **10.** Describe the method of posting from each. **11.** What does the abstract of the sales ledger show? **12.** Describe a purchase ledger. **13.** What account in the general ledger represents the persons from whom we purchase? **14.** Describe the manner of posting from invoice-book and cash-book to the general ledger. **15.** How and from what books is the purchase ledger posted?

SET M

Illustrating the Purchase and Sales Ledgers and the Eight-Column Cash-Book

The transactions of this set are designed to illustrate the books used by the Manhattan Furniture and Carpet Company of New York City, engaged in buying and selling furniture and carpets. The members of the firm are James B. Little, who owns a $\frac{5}{8}$ interest; Charles Shepard, $\frac{2}{8}$ interest, and George S. Brown, $\frac{1}{8}$ interest. The gains and losses are to be divided in proportion to their ownership. No account will be kept in the general ledger with the partners, but for their total investment "Capital Stock" will be credited.

The books required are a journal, cash-book, invoice-book, general ledger, purchase ledger, and sales ledger; and as auxiliary books, check-book and bill-book. The journal is used only when the record cannot be conveniently made elsewhere.

The cash-book will have four columns on each side. On the debit side the column marked "Accounts Receivable Cr." is reserved for all money received from customers with whom the firm has opened accounts. When posting from the cash-book, the total amount of this column will be carried to the credit side of the general ledger to an account called "Accounts Receivable." On the credit side of the cash-book the column marked "Accounts Payable Dr." is used exclusively for all amounts paid by the firm for invoices or purchases on account. When posting from the cash-book, the total amount of this column will be carried to the debit side of the general ledger to an account called "Accounts Payable." The other columns in this cash-book are used in the same way as in Set L, and are fully explained in that set. No account with cash will be kept in the ledger, as the total net receipts and payments are shown in the cash-book.

The sales ledger will be used in this set, but the sales-book will be omitted. As a labor-saving device salesmen are provided with sales tickets which show the details of each charge sale, and from these tickets the bookkeeper makes the necessary entry in his sales ledger, debiting the persons who have purchased on account. When the customer makes payment he should be credited in the sales ledger immediately after the proper entry has been made in the cash-book. Care must be taken to credit the customer with any notes he may give or goods he may return, and as these items do not appear in the cash-book they will be found in the journal. It is not expected that the sales ledger will of itself be in balance, but if it is correct the difference

between the two sides must agree with the difference between the two sides of the "Accounts Receivable" in the general ledger.

The purchase ledger contains the names of all persons from whom the firm has purchased on account. From the invoice-book are obtained amounts for which they should be credited. As soon as payments to these persons are entered in the cash-book, such amounts should be at once carried to the debit side of their respective accounts in the purchase ledger. The journal, too, may contain some items of debit for the purchase ledger, as when a note is given in payment, or goods returned. When the purchase ledger is correct, the balance will agree with the balance in the "Accounts Payable" in the general ledger.

In posting the general ledger no reference is made to either the purchase ledger or sales ledger. From the invoice-book the total footing is carried to the debit side of the merchandise account, and "Accounts Payable" is credited for a like amount. From the sales sheet "Accounts Receivable" is debited for the total of "Charge Sales," and Merchandise is then credited for the same amount. The sales sheet will also furnish the total C. O. D. sales, which should be charged to Delivery Department, Merchandise being credited for the same amount.

The memoranda for the transactions of this are found on pp. 327, 332.

DIRECTION.—Before beginning your books of original entry you should post, on sheets of ledger ruled paper, from the forms which are worked out on the next six pages. Beginning with the invoice-book you should debit Mdse. and credit Accounts Payable for the footing. Then from the sales sheet debit Accounts Receivable and credit Mdse. for footing of charge column. Debit C. O. D. Department and credit Mdse. for footing of C. O. D. column. Turn now to cash-book, Dr. side, and credit each account which is represented *only* in "Net Cash" column, such as Capital, Bills Rec., etc. Then credit Accounts Receivable and Mdse. each for their footing and, finally debit Mdse. Discount for $11.60. From the Cr. side debit Accounts which appear only in the "Net Cash" column. Debit "Accounts Payable" and Expense for their respective footings, and then credit Mdse. Disct. Having done this you should take off a trial balance. Now make abstract from sales ledger. From the invoice-book and cash-book make a purchase ledger. At the middle of the month you should post from your own books of original entry and complete the work by posting to the sales ledger as well as the general ledger.

Invoice-Book

June 2, 19—

NO.	F				
1		James Dunlap & Co. Philadelphia Terms 2/10, 1/30, n/60			
		10 (6 ×9) Royal Wilton Rugs.....@ $17.50	$175		
		20 (9 ×14½) Body Brussels Rugs, @ 24.50	490		
		12 (9 ×12) Axminster Rugs.....@ 16.70	200 40	$865	40
		4			
2		Burwell Manufacturing Co. Newark Terms 2/10, n/30			
		20 # 148 Brass Bedsteads .....@ $25.50	510 00		
		16 # 5 Woven Wire Mattresses ...@ 3.75	60 00	570	00
		8			
3		Scott & Wilson Brooklyn Terms 2/10, 1/30, n/60			
		5 Rolls Royal Wilton Carpet, 375 yd., @ 97c.	363 75		
		3 Rolls Velvet Carpet, 240 yd.....@ $1.28	307 20		
		6 Rolls Body Brussels Carpet, 360 yd., @ 55c.	198 00	868	95
		11			
4		Walter Lockwood Chicago Terms 2/10, n/30			
		6 # 69 Library Tables .....@ $27.50	165 00		
		6 # 367 Chiffoniers .....@ 18.75	112 50		
		3 # 29 Oak Sideboards .....@ 127.25	381 75	659	25
		14			
5		James Dunlap & Co. Philadelphia Terms 2/10, 1/30, n/60			
		8 (9 ×12) Best Grade Smyrna Rugs, @ $18.25	146 00		
		6 (7½ ×10) Best Grade Smyrna Rugs @ 16.25	97 50	243	50
				$3207	10

Cash Receipts

		F	ACCOUNTS CREDITED	ACCOUNTS RECEIVABLE CR.	MDSE. DISCOUNT DR.	MDSE. SALES CR.	NET CASH DR.
19— June	1		Capital Stock, Investment.....				$9500 00
"	2	✓	Merchandise, Sales..			$504 50	504 50
"	3	✓	Merchandise, Sales ..			362 80	362 80
"	4		George Dalton, on %	$225 00			225 00
June	4	✓	Merchandise, Sales..			621 35	621 35
"	6		Henry Spencer, on %	175 80	$3 52		172 28
"	6	✓	Merchandise, Sales..			483 65	483 65
"	7		Bills Receivable Bradley's Note				1650 00
"	7	✓	Merchandise Sales..			524 35	524 35
"	9	✓	Merchandise, Sales .			362 80	362 80
"	10		George Dalton, on %	100 00			100 00
"	11		C. O. D. Department				45 00
"	11	✓	Merchandise, Sales ..			725 85	725 85
"	14		Adam Gibbs, In full of %.....	408 80	8 08		400 72
"	14		C. O. D. Department				125 00
"	15	✓	Merchandise, Sales..			633 50	633 50
				$909 60	$11 60	$4218 80	$16436 80

Cash Payments

		F	ACCOUNT DEBITED	ACCOUNTS PAYABLE DR.	MDSE. DISCOUNT CR.	EXPENSE DR.	NET CASH CR.
19— June	2	✓	Expense, Insurance			$180 60	$180 60
"	4	✓	Expense, Freight and Cartage			23 70	23 70
"	4		Accounts Receivable Expense for Mr. Gibbs				4 80
"	6		Walter Lockwood, In full of %	$892 40	$17 85		874 55
"	6	✓	Expense, Exchange			87	87
"	7	✓	Expense, P. C. B.			15 00	15 00
"	7		*Interest and Disc't, Bradley's Note				3 53
"	10		Scott & Wilson, In full of %	1470 30	14 70		1455 60
"	13	✓	Expense, Advertising			38 60	38 60
			Balance— In safe, $43.95 Bank, $13795.60				13839 55
				$2362 70	$32 55	$258 77	$16436 80

*The entry of $3.53 is what is called a contra entry and could have been avoided by the use of an extra column on the left-hand page marked "Interest and Discount Dr." When there are numerous transactions of this kind it is wise to add such a column. Frequently an additional column on the credit side is ruled and marked "Collection and Exchange Dr." The number of columns on each side should be governed by the character of the business.

Purchase Ledger

		F	JAMES DUNLAP & CO., Philada.	DR.	CR.	CR. BALANCE	WHEN DUE
19—							
June	2		Invoice No. 1.....		$865 40	$865 40	6/12
"	14		Invoice No. 5.....		243 50	1108 90	6/24

BURWELL MFG. CO., Newark

19—							
June	4		Invoice No. 2.....		$570 00	570 00	6/14

SCOTT & WILSON, Brooklyn

19—							
June	1		Old %.....		$1470 30	1470 30	6/10
"	8		Invoice No. 3.....		868 95	2339 25	6/18
"	10		Cash.....	1470 30		868 95	

WALTER LOCKWOOD, Chicago

19—							
June	1		Old %		$892 40	$892 40	6/6
"	6		Cash.....	892 40			
"	11		Invoice No. 4.....		659 25	659 25	6/21

Sales Ledger

		C. F. WINFIELD, 122 Madison Ave.	DR.	CR.	DR. BALANCE
19—					
June	1	Old %.....	$205 25		$205 25
"	3	Acceptance @ 10 days.....		$205 25	
"	7	Drawing Room Suit, $193.50	193 50		193 50

GEORGE DALTON & CO., Yonkers.

19—					
June	1	Old %.....	$540 50		$540 50
"	4	Cash.....		$225 00	315 50
"	10	Cash.....		100 00	215 50

HENRY H. SPENCER, New Rochelle.

19—					
June	1	Old %.....	$175 80		$175 80
"	6	Cash draft on New York, 2% off.....		$175 80	
"	13	30 yd. Axminster Carpet, $1.45 $43.50			
		3 Brass Bedsteads, $22.50 $67.50....			
		Sideboard, $135.....			
		China Closet, $57.75.....			
		Dining Table, $32.50.....			
		Terms 2/10 n/60	336 25		336 25

J. M. WALLACE, 22 W. 54th St.

19—					
June	3	Antique Wardrobe, $28.75; Brass Bedstead, $32.75.....	$61 50		$61 50

ADAM GIBBS, Morristown.

19—					
June	4	20 Iron Bedsteads, $7.20 $144.....			
		20 Wool Mattresses $3.00 $60			
		10 (8 × 10) Wilton Rugs, $25 $250 ..	$454 00		
		Terms 2/10 n/60			
"	4	Express charges prepaid.....	4 80		$458 80
"	9	2 Rugs returned.....		$50 00	408 80
"	14	Check for $408.80, less $8.08 dis't...		408 80	

J. E. MEREDITH, City.

19—					
June	9	6 Dining Chairs, $2.75 $16.50.....			
		Oak Dining Table, $34.50.....			
		Child's Crib, $17.75.....			
		Parlor Lamp, $23.85.....	$92 60		$92 60

Sales Sheet

		CHARGE SALES	C. O. D. SALES	CASH SALES	TOTAL SALES	MDSE. RETURNED
19—						
June	2			$504 50	$504 50	
"	3	$61 50		362 80	424 30	
"	4	454 00		621 35	1075 35	
"	6			483 65	483 65	
"	7	193 50		524 35	717 85	
"	8		$45 00		45 00	
"	9	92 60		362 80	455 40	$50 00
"	10		125 00		125 00	
"	11			725 85	725 85	
"	13	336 25			336 25	
"	15		32 50	633 50	666 00	
		$1137 85	$202 50	$4218 80	$5559 15	$50 00

Memoranda of Transactions for Set M

New York, June 1, 19—.

The Manhattan Furniture Company have purchased the resources and assumed the liabilities of James B. Little, who formerly owned and conducted the business. The resources and liabilities of the new firm are as follows: Resources; Cash, $9,500; Merchandise, per inventory, $18,650; J. A. Bradley's note to James B. Little for $1,650, dated May 10, 1907, and due June 20; Fixtures and Office Furniture, per inventory, $1,225.50; Delivery Equipment, consisting of horses and wagons, per inventory, $2,760; Good Will valued at $2,000, and the following accounts receivable: C. F. Winfield, $205.25; George Dalton & Co., $540.50; Henry H. Spencer, $175.80. Liabilities: James B. Little's note of $894.50, which the Company assumes, dated May 1, and due June 15; and the following accounts payable: Scott & Wilson, Philadelphia, $1,470.30; Walter Lockwood, Chicago, $892.40. The cash on hand, $9,500, has been deposited in the Merchants' National Bank of New York.

June 2. Paid for insurance on stock of goods for one year, per check No. 1, $180.60. Bought of James Dunlap & Co., Philadelphia, Terms 2/10, 1/30, n/60 (2% off 10 days, 1% off 30 days, net 60 days), 10 (6×9) Royal Wilton Rugs @ $17.50; 20 (9×14½) Body Brussels Rugs @ $24.50; 12 (9×12) Axminster Rugs @ $16.70. Received for cash sales $504.50.

June 3. Sold to J. M. Wallace, on %, City, 1 Antique Wardrobe, $28.75; 1 Brass Bedstead, $32.75. Received of C. F. Winfield his acceptance at 10 days for balance of his account, $205.25. Received for cash sales $362.80. Deposited $800.

EXPLANATION.—In the journal Bills Receivable is debited and Accounts Receivable is credited. Winfield's account should also be credited in the sales ledger.

June 4. Bought of the Burwell Manufacturing Co., Terms 2/10, n/30, 20 #148 Brass Bedsteads @ $25.50; 16 #5 Woven Wire Mattresses @ $3.75. Received of George Dalton & Co. their check for $225, which we have deposited. Paid for freight and cartage $23.70. Sold to Adam Gibbs, Morristown, Terms 2/10, n/60, 20 Iron Bedsteads @ $7.20; 20 Wool Mattresses @ $3.00; 10 (8×10) Wilton Rugs @ $25. At Mr. Gibbs' request we have advanced $4.80 in payment of express charges on above. Received for cash sales $621.35, which we have deposited.

EXPLANATION.—The $4.80 advanced by us for express charges should be entered in cash-book as Accounts Receivable, and carried to Adam Gibbs' account in sales ledger.

June 6. Received of Henry H. Spencer, a draft on New York for $172.28, being in full of his account of $175.80, less $3.52 discount. Drew check No. 2 in payment of a draft on Chicago which we have sent to Walter Lockwood in settlement of his account of $892.40, less 2%, $17.85, face of draft $874.55. Our bank having charged 87c. for exchange, the amount of check is $875.42. Received for cash sales $483.65. Deposited Spencer's check of $172.28, and cash $475.

June 7. Sold to C. F. Winfield, 1 Drawing Room Suit, $193.50. Drew check No. 3 for petty expenses, $15. We have had J. A. Bradley's note, due June 20, discounted at Merchants' National Bank and net proceeds passed to our credit. The discount is computed on the basis of 365 days to the year. Cash sales, $524.35.

June 8. Bought of Scott & Wilson, Brooklyn, Terms 2/10, 1/30, n/60, 5 rolls Royal Wilton Carpet, 375 yd., @ 97c.; 3 rolls Velvet Carpet, 240 yd., @ $1.28; 6 rolls Body Brussels Carpet, 360 yd., @ 55c. Sold to Samuel Walsh, City, Terms C. O. D., 1 (11×15) Body Brussels Rug, $45. Deposited $520.

EXPLANATION.—The C. O. D. sales should be entered on the sales sheet showing merely the amount. The sales ticket shows the details. At the end of the day, or in this case when the column is footed, the C. O. D. department is debited in the general ledger for the total amount and merchandise credited. When the C. O. D. Department collects and turns over the money Cash is debited and C. O. D. Department is credited.

June 9. Sold to S. E. Meredith, City, 6 Dining Chairs @ $2.75; 1 Oak Dining Table, $34.50; 1 Child's Crib, $17.75; 1 Parlor Lamp, $23.85. Adam Gibbs has returned 2 Wilton Rugs for which we have credited him $50. Received from cash sales $362.80.

EXPLANATION.—A journal entry is made debiting Merchandise and crediting Accounts Receivable, and Adam Gibbs' account in sales ledger is immediately credited.

June 10. Received of George Dalton on account his check for $100, which we have deposited. Paid, per check No. 4, Scott & Wilson's account of $1470.30 less 1%. Sold Merchandise to George Foster, City, C. O. D., $125.

June 11. Bought of Walter Lockwood, Chicago, Terms 2/10, n/30, 6 #69 Library Tables @ $27.50; 6 #367 Chiffoniers @ $18.75; 3 #29 Oak Sideboards @ $127.25. Received from the C. O. D. Department $45. Cash sales, $725.85. Deposited $700.

June 13. Sold to Henry Spencer, New Rochelle, Terms 2/10, n/60, 30 yd. Axminster Carpet @ $1.45; 3 Brass Bedsteads @ $22.50; 1 Sideboard, $135; 1 China Closet, $57.75; 1 Dining Table, $32.50. Paid for advertising, per check No. 5, $38.60.

June 14. Bought of James Dunlap & Co., Philadelphia, Terms 2/10, 1/30, n/60, 8 (9×12) Best Grade Smyrna Rugs @ $18.25; 6 (7½×10) Best Grade Smyrna Rugs @ $16.25. Adam Gibbs settled his account by sending us a New York draft for $400.72, which we have deposited. Received from C. O. D. Department $125.

EXPLANATION.—The balance of Adam Gibbs' account after crediting him for merchandise returned and charging $4.80 expressage advanced by us is $408.80, but being entitled to a discount of $8.08, his draft of $400.72 is sufficient to settle his account.

June 15. Sold to W. A. Miller, C. O. D., 1 Brass Bedstead, $32.50. Received for cash sales $633.50. Deposited $1200.

DIRECTIONS.—At this point you should balance the cash-book and post all the books. Then take off a trial balance.

June 16. Paid, per check No. 6, J. B. Little's note due this day for $894.50. Sold to James Burton, Elizabeth, Terms 2/10, 1/30, n/60, 1 Dining Room Set, $108.75; 1 Drawing Room Suit, $138.50.

June 17. Bought of Burwell Manufacturing Co., Newark, Terms 2/10, n/30, 15 #67 Iron Bedsteads @ $4.10; 12 #148 Brass Bedsteads @ $26; 12 #7 Child's Cribs @ $10.75. Paid per check No. 7, rent for June, $450. Received for cash sales $578.60.

June 18. Paid Scott & Wilson, per check No. 8, for purchase made on the 8th, less 2%. Received from C. O. D. Department, $32.50. Received from cash sales $492.35. Deposited $1050.

June 20. Accepted the Burwell Manufacturing Co.'s draft on us at 5 days for balance of their account, $570. Sold to S. E. Meredith, City, 2 Brass Bedsteads @ $48.50; 1 Best Body Brussels Rug, $39.50; 1 Sofa Bed, $33. Received for cash sales, $230. Paid freight $19.75.

June 21. Bought, per check No. 9, draft on Chicago and sent same to Walter Lockwood in payment of invoice of the 11th, $659.25, less 2%, paying for exchange 65c. Sold merchandise C. O. D., $187.50. Received for cash sales, $438.20.

June 22. Bought of Scott & Wilson, Terms 2/10, 1/30, n/60, 6 rolls Axminster Carpet, 480 yd., @ $1.45; 4 rolls Ingrain Carpet, 360 yd., @ 42c. Received of Henry Spencer in settlement of his account, his draft on New York for $329.52 net, having deducted the merchandise discount of 2%. Sold to Adam Gibbs 1 Drawing Room Suit, $198; 1 Antique Wardrobe, $30.50. Deposited draft, $392.52, and cash $600.

June 23. Sold merchandise to H. N. Phillips, City, C. O. D., $258.50.

Paid James Dunlap & Co., per draft purchased with check No. 10, $238.63, being net amount for invoice of the 14th. Received for cash sales $605.30.

June 24. Bought of Walter Lockwood, Chicago, Terms 2/10, n/30, 5 Oak Sideboards @ $87.50; 3 Mahogany Sideboards @ $126.75; 3 Antique Wardrobes @ $27.80; 6 Oak Dining Tables @ $14.25. Received from C. O. D. Department $187.50.

June 25. Received of James Burton in settlement of his account his check for bill of the 16th, less 2%. Paid, per check No. 11, our acceptance favor of Burwell Manufacturing Co., due this day, $570. Received for cash sales $312.90. Deposited check $242.30, and cash $1800.

June 27. Sold to I. M. Wallace, City, 1 Dining Table, $22.50; 1 China Closet, $36; 1 Wilton Rug, $21. Paid for cartage, $37.50.

June 28. Bought of James Dunlap & Co., Terms 2/10, 1/30, n/60, 10 (9×12) Tapestry Rugs @ $15.25; 7 (8×10½) Seamless Axminster Rugs @ $14.25; 5 (11×15) Best Body Brussels Rugs @ $32.15. Received for cash sales, $225.40.

June 29. Sold to George Dalton, Yonkers, 2 Royal Wilton Rugs @ $34; 40 yd. Axminster Carpet @ $1.40. The Burwell Manufacturing Co. have made a draft on us in their own favor, at 10 days' sight, for $502.50, which we have accepted.

June 30. Bought of Burwell Manufacturing Co. 10 #38 Brass Bedsteads @ $31.45; 12 #5 Woven Wire Mattresses @ $3.85. Sold to Henry Spencer, New Rochelle, 1 Dining Room Set, $107.50; 1 Mahogany Hall Stand, $68.25. Received for cash sales $517.35. Drew check No. 12 in payment of salaries, $475.

On July 1, an inventory of merchandise showed goods on hand valued at $16,445.70. The Fixtures and Office Furniture, the Good-will, and the Delivery Equipment are valued the same as on June 1. Required a financial statement. Close only those accounts which show a gain or loss, and make the Capital Stock account show the net capital.

Review

1. Mention the books required for Set M. **2.** What is the limit of the number of columns that may be used in the cash-book? **3.** Explain the use of the columns marked "Accounts Receivable, Cr." and "Accounts Payable, Dr." **4.** What device is here used in order to omit the sales-book? **5.** What is the purpose of a sales ledger? **6.** Should the sales ledger always be in balance like the general ledger? Explain. **7.** From what sources are derived the entries for the sales ledger? **8.** What account in the general ledger represents the sales ledger? **9.** The difference between the two sides of the sales ledger must agree with the difference between the two sides of what account in the general ledger? **10.** Explain the use of the purchase ledger. **11.** What general ledger account represents the sales ledger? **12.** Are any accounts posted from either the sales ledger or purchase ledger to the general ledger? **13.** What use is made of the sales sheet in this set?

SET N

This set is a continuation of Set M. From the resources and liabilities of the preceding set, as shown in the statement, new accounts are opened in the general ledger. The balances from the purchase and sales ledgers are carried into a new purchase ledger and new sales ledger. The books will be kept in the same manner as in the last set. The sales book, instead of the sales sheet, may be used if the teacher so desires.

The general ledger should be tested after the new accounts have been opened, to make sure that it is in balance, observing that the cash account is not opened in the ledger, but that the balance on hand from the cash-book is $13,847.81. Of this amount $13,691.01 is in bank and $156.80 in safe.

It is suggested that at the end of the 15th, the cash be balanced, the books posted, and a trial balance be made. An abstract of both Sales and Purchase ledgers should be made, and compared with "Accounts Receivable" and "Accounts Payable" in the ledger, after which the set should be continued.

July 1. Bought of Burwell Mfg. Co., Terms 2/10, n/30, 20 #81 White Enamel Bedsteads @ $3.50; 10 #148 Brass Bedsteads @ $26. Paid Scott & Wilson, per check No. 1, their bill of $847.20, less 2%. Received for cash sales $450.30.

July 2. Sold to James Burton, Elizabeth, Terms 2/10, n/60, 1 Mahogany Bookcase, $68.50; 2 Brass Bedsteads @ $53.75; 70 yd. Wilton Carpet @ $1.25. Received of Adam Gibbs his check in settlement of his account, being $228.50, less 2%. Received for cash sales $325.65. Deposited check $213.93, and currency $900.

July 5. Received of C. F. Winfield, in settlement of his acceptance of $205.25, due June 13, his check including interest to date at 6%. Paid rent for July, per check No. 2, $450. Received for cash sales $390.

July 6. Sold to S. E. Meredith, City, 1 Dining Room Suit, $112.50. Paid freight and cartage $14.50.

July 7. Bought of Franklin Mfg. Co., Terms 2/10, 1/30, n/60, 10 #148 Porcelain Lined Refrigerators @ $23.50; 12 #102 Peerless Refrigerators @ $11.75. Received of C. F. Winfield his check in settlement of his account of $193.50, less 2%. Received for cash sales $415.80. Deposited checks and currency, $1,100.

July 8. Bought, per check No. 3, draft on Philadelphia, exchange 41c., in payment of invoice from James Dunlap & Co., $413, less 2%. Sold to S. S. McClelland, City, 1 Sideboard, $120; 1 Parlor Cabinet, $45.80. Received for cash sales $392.70.

July 9. Bought of Scott & Wilson, Terms 2/10, 1/30, n/60, 5 rolls Moquette Carpet, 400 yd., @ $1.15; 4 rolls Velvet Carpet, 300 yd., @ $1.12. Our acceptance, favor of Burwell Mfg. Co., for $502.50, payable at our bank and due this day, has been paid, and we have credited our bank in check-book, no check being drawn. Deposited $375.

July 11. Accepted James Dunlap & Co.'s draft on us at ten days for balance of their account, $865.50. Sold J. J. Webber, C. O. D., 1 Antique Wardrobe, $30; 1 China Closet, $45. Received for cash sales $422.30.

July 12. Bought of Walter Lockwood, Chicago, Terms 2/10, n/30, 3 #62 Mahogany Bookcases @ $52.75; 6 #18 Writing Desks @ $22.50; 2 #65 Rosewood Folding Beds @ $117.50. Paid for stationery and postage $8.50. Received of George Dalton on account his check for $150. Deposited $500.

July 13. Sold to Henry Spencer, New Rochelle, 1 Porcelain Lined Refrigerator, $30; 1 Cedar Chest, $24.50; and at his request have paid for him shipping expenses $1.80. Delivery Department has collected and returned in cash $75.

July 14. J. M. Wallace has indorsed to us, in settlement of his account of $141, a note dated July 13, by W. D. Holland, drawn at 5 days, and we have deposited same in bank. Received for cash sales $411.20.

July 15. The proprietors, James B. Little, Charles Shepard, and George S. Brown, have decided that they shall draw cash from the capital stock of the firm, each to the amount of $500, and checks Nos. 4, 5, and 6 were drawn accordingly. Received for cash sales $317.40.

July 16. Sold to J. M. Wallace, City, 1 (10×12) Smyrna Rug, $24.50; 1 (8×10) Saxony Rug, $33.75. Bought, per check No. 7, draft on Chicago and remitted same to Franklin Mfg. Co. in settlement of their account, being allowed 2% discount, and paying 37c. exchange. Deposited $700.

July 18. Bought of Scott & Wilson, Brooklyn, 6 rolls Wilton Carpet, 480 yd., @ $1.05; 10 rolls Best grade Ingrain Carpet, 700 yd., @ 47c. The note indorsed to us by J. M. Wallace in settlement of his account has been protested, and the bank has returned to us the note upon our payment of the protest fees, $1.45.

July 19. Paid, per check No. 8, for invoice bought of Scott & Wilson on the 9th, less 2%. Received of J. M. Wallace his check for $142.45, being in payment of the protested note, $141 and protest fees $1.45, which we had paid.

EXPLANATION.—As cash was debited on the 14th for $141 and Wallace credited at the same time, no entry is necessary for this transaction. Mr. Wallace has reimbursed us for the protest fees, for which no entry was made on the 18th, except a memorandum on the back of the note. In the stub of check-book the bank should be credited on the 18th, in case you had entered the note as a deposit on the 14th.

July 20. Bought of James Dunlap & Co., Philadelphia, Terms 2/10, 1/30, n/60, 10 (8×10) Smyrna Rugs @ $18.50; 6 (9×12) Saxony Rugs @ $27.80. Received of Henry Spencer his note at 30 days in payment of his purchase of June 30, $175.75. Received for cash sales $432.90. Deposited $725.

July 21. Sold to L. R. Fairchild, C. O. D., 1 Sideboard, $162.50. Received of S. E. Meredith on account his check for $175, which we have deposited.

July 22. Sold to George Dalton, Yonkers, 1 Fancy Lamp, $37; 1 Ladies'

Dressing Cabinet, $42.50; 1 Fancy Rocker, $16. Received for cash sales $385.30.

July 23. Henry Spencer has sent us a check in settlement of his account. Deposited $400.

July 25. Bought of Walter Lockwood 12 #52 Cedar Chests @ $17.25; 6 #38 Fancy Rockers @ $5.75. Cash sales $312.40.

July 26. The Fancy Lamp sold to George Dalton for $37 has been returned and we have credited him for that amount.

July 27. Received from C. O. D. Department $162.50. Paid for cartage $21.60.

July 28. Sold to S. S. McClelland, City, 40 yd. Velvet Carpet @ $1.27; 30 yd. Stair Carpet @ 70c.; 38 yd. Moquette Carpet @ $1.30.

July 29. Sold to H. R. Gibson, C. O. D., 1 Saxony Rug, $32.50. Received for cash sales, $327.90.

July 30. Bought, per check No. 9, draft on Philadelphia for $986.65, and sent same to Walter Lockwood on account. Exchange on draft, 99c. Drew check No. 10 in payment of clerk hire, $460. Received for cash sales $295.40. Deposited $1,278.99.

Make a financial statement for the month of July, assuming that the merchandise on hand is worth $15,152.40, and that the Office Furniture and Fixtures, Good-will, and Delivery Equipment are of the same value as at the beginning of the month.

NOTE.—For further practice in this method it is suggested that Set K, page 220, be worked out.

JOURNAL EXERCISES

Exercise 1

1. Geo. Brown, in settlement of his %, has indorsed to us Frank Hart's note for $300, which we have deposited in bank for collection and our credit.

2. Frank Hart's note being protested, it is returned to us, the bank charging to our % the protest fees, $1.40.

3. Albert Baldwin, whose note we held for $750, has failed and we have accepted in settlement 37 cents of the dollar.

4. At Wm. Richardson's request we have advanced $3.75 in payment of express charges on goods we have sold him this day amounting to $128.50.

5. S. W. Rowell & Co. owe us $37.50, and in settlement of their account have furnished us with stationery and blank books for use in the store.

6. We own 20 shares of stock in the Ninth National Bank. The bank having failed, we have been assessed 50% of the par value of our stock in settlement of the bank's liabilities.

7. Jones & Preston have consigned to us 120 bbl. flour to be sold on their account. We have paid freight and cartage on same, $14.75.

8. A. T. Roberts has given S. S. Richards an order on Wm. Hall for goods valued at $42.75, which order has been filled. Make the journal entry for Roberts, Richards, and Hall.

9. L. B. Davis, who owes us $380, has become a bankrupt. After paying 62 cents on the dollar he has received his discharge.

Exercise 2

1. Sold merchandise to F. C. Roach for $1,265.50, receiving in payment John Robins's note, indorsed by F. C. Roach, for $425.75, and our note for $320.80, and the balance on account.

2. Bought merchandise of Edward Root for $758.60, being allowed a discount of 5%. We have settled the bill by our sight draft of Rhodes & Potter for $350, and a draft on New York for the balance.

3. Gave to Henry Rockwell our note at 90 days for $350, with interest at 6%, for which we have received his check for $200 and his note at 10 days for $150.

4. Paid above note and interest on same for 90 days by check.

5. We hold Charles Seeley's note for $630, on which interest has accumulated amounting to $9.45. He has settled his note by indorsing to us Geo. L. Sargent's note for $420, due in 60 days, and which we have discounted at 6%, paying us cash for the balance.

6. We have drawn at sight on Robert Parsons in favor of the Rogers Lumber Co. for $272.50.

7. The above draft has been dishonored and returned to us by the Rogers Lumber Co.

8. Our note for $750 on which interest has accumulated amounting to $11.25, has been redeemed by the issue of a new note including the interest.

9. On our note for $1,500, drawn at 6 months with interest at 6%, and due this day, we have made part payment by drawing a check for $700, which includes the accumulated interest.

10. Robert Lloyd, in settlement of his account, has given us his note this day for $2,400 with interest at 6%, payable at 90 days, and we have had the same discounted at 6%, and the net proceeds passed to our credit in the bank.

Exercise 3

1. James H. Warren and Frank Crawford are partners, sharing the gains and losses equally. Warren invests cash, $4,270.50; Accounts Receivable $2,167.30, and L. C. Harper's note for $210. The firm assumes to pay for him an account due Geo. Rice of $418.50. Crawford invests cash, $1,215.25; Mdse., $5,260; Accounts Receivable, $1,050.40. The firm assumes to pay his note for $1,500, due Samuel Hadley. Make the entry in two ways.

2. At the end of the year it was learned that the net loss in the above partnership was $2,000, whereupon Crawford sold his entire interest to Warren for $4,000 cash. Required the entry on the books of the firm.

3. William Rockwell, to obtain capital with which to carry on a small manufacturing business, borrowed from his friend, A. B. Shaw, $5,000; giving his note for one year. His books, having been kept by single entry, showed at the end of the year results as follows: Inventory of Stock, $2,162.50; Inventory of Machinery, $2,000; Accounts Receivable, $3,252.60; Accounts Payable, $3,875.30; Bills Payable (Note to Shaw), $2,500; Cash on hand, $1,380.45. It appears that he had canceled the original note of $5,000 to Shaw by paying him cash and issuing a new note of $2,500. Required the entries necessary to change the method to double entry.

4. At the end of the second year Rockwell's resources and liabilities are as follows: Cash, $2,250.75; Accounts Receivable, $4,325.45; Inventory of Machinery, $3,000; Inventory of Stock, $3,245.70; Accounts Payable, $7,821.90. Rockwell has decided to form a partnership, and to increase the capital he gives his individual note to A. B. Shaw for $7,000. R. S. Goldsmith, with whom he forms a partnership, invests cash equal to the net capital of Rockwell. Required the journal entry for a new set of books. Also the entry, if the old books are used.

5. At the end of the third year Rockwell & Goldsmith decide to form a corporation with an authorized capital stock of $50,000. In exchange for the resources of the partnership, Rockwell receives 150 shares ($100 share); Goldsmith 150 shares, and 100 shares are sold for cash, as follows: To James Long, 50 shares; to A. J. Bard, 30 shares; and to Frank Black, 20 shares. The partnership resources are valued as follows: Cash, $2,765.30; Bills Receivable, $1,500; Accounts Receivable, $7,060.25; Machinery, $8,200; Raw Material, $7.520.80; Finished Stock, $6,814.25; Good-will, $2,000. The liabilities are Accounts Payable, $5,860.60.

Before making the opening entries for the corporation make the closing entries for the old books, observing that "Good-will, $2,000," had no recognized existence in the partnership.

Exercise 4

1. William Gray and Geo. Perkins are partners. Gray is entitled to a credit of $276 for interest on his investment, and Perkins to a credit of $342. Make the journal entry to adjust the interest between the partners without disturbing the Interest account in the ledger.

2. A, B, and C are equal partners. A is entitled to an interest credit of $340; B to $230; and C to $120. Adjust the interest between the partners.

3. D, E, and F are partners. D sharing $\frac{3}{8}$, E $\frac{3}{8}$, and F $\frac{1}{4}$ of the gains and losses. D is entitled to an interest credit of $652; E to $424, and F to $285. Adjust the interest between the partners.

4. Five persons have formed a corporation with an authorized capital stock of $75,000; each subscribing for 150 shares and paying for same in cash.

5. A corporation has been formed with an authorized capital stock of $50,000, divided into shares of $100 each; 300 shares have been subscribed for, and 50% of each subscription has been paid in cash.

6. The members of a corporation, to secure working capital, have donated to the company 200 shares ($100 each) of fully paid up stock, which has been sold by the treasurer for $15,000 cash.

7. John Adams starts in the manufacturing business at the beginning of the year, having borrowed on his note a capital of $10,000. From his books, which have been kept by single entry, it is learned that at the end of the year his Accounts Payable are $5,718.20, and Bills Payable $5,000. His Manufacturing Expenses, including salaries drawn, are $8,395.40; and sundry expenses, $247.25. His purchases of Raw Material, as shown by the invoices, are $8,540.60, and the Sales of Finished Products amount to $21,925.70. He has Cash on hand, $1,175.45; Inventory of Machinery, $5,000; Inventory of Raw Material, $1,682.60; and his Accounts Receivable are $9,285.20. Make the necessary entries to change the books to double entry.

8. George Brown, at the opening of the new year, has entered into partnership with John Adams in the above enterprise, and has invested, in cash, a sum equal to the net capital of Adams, and is to share the gains and losses equally. At the end of the year the balance sheet shows in the resource column, Cash, $2,385.65; Machinery (Inv.), $8,000; Raw Material (Inv.) $4,748.50; Finished Products (Inv.), $2,186.25, and Accounts Receivable, $7,543.70. The liability column shows: Accounts Payable, $6,864.10; Adams' Investment Account, $6,425.05; Brown's Investment Account, $6,425.05; and a Surplus of $5,149.90. Make the entry for Brown's investment and the closing entry, preparatory to converting the partnership into a corporation.

Examination Paper

(Questions in Advanced Bookkeeping from an examination paper of the University of the State of New York.)

1–8. The wholesale and retail grocery store of B. F. Johnson, Erie, Pa., has been totally destroyed by fire, the stock being fully insured. Johnson has done a successful business and he now determines to seek a partnership in the wholesale and jobbing grocery house of William Wallace of Buffalo, with whom he has had satisfactory dealings for many years. After some correspondence and an interview the men agree to form a partnership for five years, under the name of Wallace & Johnson, beginning December 18, 1905. Wallace invests his stock of merchandise valued by appraisers at $4,750, furniture and fixtures $500 and a note of $300 given by Smith & Gray of Batavia, payable to Wallace three months from Sept. 21, 1905, payment guaranteed by him. Johnson invests $5,550 cash and it is agreed that in lieu of the good-will of the Buffalo business, losses or gains shall be shared on the basis of $\frac{3}{10}$ toWallace and $\frac{7}{10}$ to Johnson. Wallace is to have general charge of the business and Johnson is to travel when necessary and to have charge of traveling salesmen. Wallace is to settle all outstanding accounts, except the Smith & Gray note, which is a part of the new firm's capital.

The books of account are general ledger, sales ledger, purchase ledger, journal, cash-book, sales-book, and invoice-book. The cash-book is to have four money columns, each ruled for dollars and cents, on both the debit and the credit page, for the convenient handling of trade discount, cash sales to transient buyers, and "Expense" account. No counter entries are to be made on either side of this book and the main column on the debit side is to show the exact amount of cash received, while that on the credit side shows the exact amount paid out. No "Cash" account is to be kept in ledger. The journal is to be used only for such entries as cannot be conveniently made in the other books. Enter in the proper books the investments and the following transactions:

Dec. 18. Bought, for cash, books of account and stationery for office $45.50; 10 tons coal for heating store $60. Sold E. J. Holden, Hornellsville, 2 bags, 250 lb., choice Rio coffee @ 23c.; 1 bale, 150 lb., Mocha coffee @ 28c. Terms, 2/10 n/60 (2% off if paid in 10 days, net if paid in 60 days). Sold Fox & Gilbert, Olean, 20 bbl., 6500 lb., granulated sugar @ 5½c. less 15c. a 100 lb. Terms, 1/10 n/60. Bought of Minnesota Mill Co., Minneapolis, 700 bbl. best flour (spring patent) @ $4.75, delivered in Buffalo. Terms, cash on delivery. Cash sales to transient buyers $202.75.

Dec. 19. Bought of Dearing & Arthur, New York, 20 half-chests, 1200 lb., Japan tea @ 25c.; 16 cases, 800 lb., Ceylon tea @ 20c. Terms, 3/5 n/60. Sold Smith & Peters, Syracuse, 2 bales, 300 lb., finest Mocha coffee @ 34c. Terms, 2/10 n/60. Cash sales $245.50.

Dec. 20. Bought of L. D. Brooks, New York, 10 chests, 900 lb., fancy orange tea @ 50c. Terms, 3/10 n/60. Sold George Adams, Albany, 100 cases No. 2½ extra cherries @ $3.50. Terms, 2/10 n/60. Sent note of Smith & Gray to Batavia bank for collection. Cash sales $296.

Dec. 21. Sold Smith & Peters 2 chests, 180 lb., fancy orange tea @ 65c.; 75 bbl. flour (Minn. spring patent) @ $5.10, f. o. b., at Buffalo. Terms, 2/10 n/60. Cash sales $185.50.

Dec. 22. Batavia bank returns Smith & Gray note unpaid, protest expenses $1.29. Make the proper entries. Sold E. J. Holden 10 bbl. large, round Labrador herring @ $5.50; 2 bbl. Alaska pink salmon @ $8.50. Terms, 2/10 n/60. Sent Minnesota Mill Co. N. Y. draft to pay invoice Dec. 18. Cash sales $275.

Dec. 23. Sent Dearing & Arthur N. Y. draft in payment of invoice Dec. 19. Cash sales $78.50.

Dec. 26. Bought of L. D. Brooks 15 boxes, 360 lb., H. C. chocolate @ 29c. Terms, 2/10 n/60. Cash sales $65.25.

Dec. 27. E. J. Holden remits N. Y. draft for bill Dec. 18. Fox & Gilbert remit N. Y. draft for bill Dec. 18. Cash sales $52.75.

Dec. 28. Smith & Peters remit N. Y. draft for bill Dec. 19. Sent L. D. Brooks N. Y. draft in payment of invoice of Dec. 20. Cash sales $130.25.

Dec. 29. After some correspondence with Smith & Gray, makers of the dishonored note, they offer Wallace & Johnson a note for $150, payable in 30 days from this date, indorsed by James Bowen, which is accepted

in full settlement. Make the proper entry to close Smith & Gray's account. Cash sales $120.

Dec. 30. Paid salaries from Dec. 18: salesman $45; bookkeeper $35; billing clerk $15. Paid rent of store ½ month $50; printing $20; postage and telegrams $12.50. Cash sales $165.75.

Post sales ledger, purchase ledger, and main ledger. Make trial balance. and show through "Loss and Gain" account the present capital of each partner. "Furniture and Fixtures" is an asset and remains unchanged. Merchandise inventory $6,535.60; expense inventory $50.

THE VOUCHER SYSTEM

The Voucher System, so called, is a method of recording the payment of accounts. While it is not, strictly speaking, a system of bookkeeping (for there are but two systems, double entry and single entry), we shall follow the custom and frequently speak of it as a system. The voucher method may, at any time, be engrafted upon whatever system of bookkeeping is being used by simply adopting two auxiliary forms known as the *Voucher*, and *Voucher Record*, each of which will be hereafter explained. Since the method is concerned only with accounts payable, being intended to eliminate from the general ledger, and purchase ledger also, all accounts with creditors, it must, of necessity, represent but a part of any complete record of bookkeeping. The system itself is comparatively new, and is rapidly becoming more popular. That the railroads, express companies, the general government, large corporations, and many manufacturing establishments have adapted it to their system of accounting is sufficient indorsement of its merits. The system is supposed by some to be useful only in a large business, but others contend that it is perfectly flexible and has advantages which recommend it to a business of any size.

A Voucher is a paper, document, or record which serves to attest, affirm, or vouch the correctness of, or the payment of, an account. An ordinary receipt or a bank check, indorsed by the payee, are both simple forms of vouchers, for they attest the payment of a sum of money. The forms of vouchers differ necessarily in different lines of business, and the model here given is intended to illustrate the main features which underlie the method. It should be observed that while the illustration is taken from a purchase, as shown in an invoice, the method covers expenditures of every character.

The voucher below, as will be seen, is an abstract from Invoice No. 17, showing the date of invoice, the number, the amount, the discount, and net amount due. This paper, and the check attached, are to be

Form of Voucher

To *George Maxwell & Co.*
Canton, Ohio.

Voucher No. *357*
BURWELL MFG. COMPANY
Yonkers, N. Y.

1907					
March	3	Invoice No. 17	$1235 75		
		Less 2%	24 72	1211	03

VERIFIED
S. S. Ward Auditor.

APPROVED
H. L. White Manager.

Received of BURWELL MANUFACTURING COMPANY, March—

Twelve hundred eleven $\frac{03}{}$ Dollars $1211.03

in full for above account.

Please date, affix your signature, and return to Burwell Mfg. Co.

No. *357* New York, *Mar. 3*, 19 *07*.

MERCHANTS NATIONAL BANK

Pay to the order of *George Maxwell & Co.* $1211.03

Twelve hundred eleven $\frac{03}{}$ Dollars,

In payment of Voucher No. *357*.

BURWELL MANUFACTURING COMPANY,
per *A. C. Thomas*, Treas.

enclosed in an envelope and sent to George Maxwell & Co., who are requested to sign the receipt underneath and return it to Burwell Mfg. Co. Should they do so, the party making payment will have a *full* and *complete* voucher for the money paid. Should they neglect to sign and return the paper, the check, which they must endorse or sign before they can get the money, and which must eventually be returned, will be a voucher in the hands of the Burwell Mfg. Co., showing the amount paid and the account to which payment must be applied. The voucher and check, when returned, should be properly filed. In the above form the check, is intended to be detached by George Maxwell, when he signs as requested. According to some forms the check is arranged so that it cannot be detached from the voucher, and is regarded by many as much the better form. Some banks, however, object to handling such cumbersome forms of checks. Some houses again use the ordinary check, but omit the formal voucher, making the check answer the purpose by stating on the back that it is in settlement of certain claims, and showing details of distribution, etc.

The form below represents the back of the voucher which is designed to show the account to which the payment is to be charged and other details.

Voucher No. *357*

THE BURWELL MANUFACTURING COMPANY

PAYABLE TO

George Maxwell & Co.,
Canton, Ohio.

$1235.75.

Paid March 3, 1907. Check No. 357.

CHARGE TO		
Real Estate	*$1235*	*75*
Materials		
Machinery		
Fixtures		
Delivery Equipment		
Labor		
Salaries		
Freight		
Sundry Expense		

When an invoice is received it should be verified by the receiving clerk, the buyer, and the bookkeeper, after which the voucher should

Cash Dr.

DATE		F		ACCOUNTS RECEIVABLE CR.	MDSE. SALES CR.	NET CASH DR.
19— March	3		Capital			$8256 30
"	4		Merchandise, Sales		$244 20	244 20
"	5		W. F. Mitchell, On full of %	$562 80		562 80
"	6		Bills Receivable, Tho. Field's Note			325 50
"	7		Merchandise, Sales		315 90	315 90
"	8		Edgar Brown, On %	195 75		195 75
				$758 55	$560 10	$9900 45

Voucher

PARTICULARS OF VOUCHER

Voucher Date	Voucher No.	Check No.	Vouchers Payable Cr.	Terms	When Due	F	Vouchers Payable Dr.	When Paid	For What
19— Mar. 2	357		$1235 75	2/10 n/60	Mar. 3		$1235 75	Mar. 2	Lumber
" 4	358		872 20	Cash	" 6		872 20	" 5	Repairs on bldg
" 6	359		648 50	Cash	" 8		648 50	" 7	Pay Roll
" 9	360		1050 00	2/10 n/60	" 13		1050 00	" 13	Hardware
" 12	361		478 40	Net 3 mos. 2/10	" 15		478 40	" 14	New Lathe
" 23	362		134 75	Cash	" 27				Insurance
" 25	363		152 80	Cash	" 28				Freight
" 26	364		325 40	Cash	" 31				Pay Roll
			$1897 80						

Cash Cr.

DATE	F		VOUCHERS PAYABLE DR.	MDSE. DISCOUNT CR.	NET CASH CR.
19—					
March 2		Voucher No. 357.....	$1235 75	$24 72	$1211 03
" 5		" No. 358.....	872 20		872 20
" 7		" No. 359.....	648 50	12 97	635 53
" 13		" No. 360.....	1050 00	21 00	1029 00
" 14		" No. 361.....	478 40		478 40
		" Balance.....			5674 29
			$4284 85	$58 69	$9900 45

Record

In Whose Favor	PLANTS			MANUFACTURING EXPENSES				SELLING EXPENSES		GENERAL EXPENSE
	Real Estate	Machinery	Furniture & Fixtures	Lumber	Material & Factory Stock	Labor	Sundry Factory Expense	Salesmen	Advertising	
G. Maxwell & Co.				$1235.75						
S. T. Fry	$872.20									
G. Hall & Co.					$1050.00	$648.50				
Wm. Martin		$478.40								
Home Ins. Co.										$134.75
N. Y. C. R. R.							$152.80			
								$325.40		
	$872.20	$478.40		$1235.75	$1050.00	$648.50	$152.80	$325.40		$134.75

be prepared. From the voucher an entry is made in the Voucher Record (see p. 346), which shows in the column marked "When Due," the day when each invoice should be paid. The invoice and voucher should be fastened together and placed in the vertical file in a separate cabinet marked "*Unpaid Vouchers.*" A day or two before the invoice falls due the voucher should be taken from the file, the discount, if any, entered, the proper extensions made, and the paper then handed to the cashier, who draws the check corresponding in number, date, and amount, and encloses the folded voucher and check in an envelope addressed to the creditor. When the voucher comes back signed or receipted, it should, after fastening it to the corresponding invoice, be placed in a vertical file in a cabinet marked "*Paid Vouchers.*"

The cash-book and voucher record are so closely related that the two books are here exhibited together, in the belief that by this means the learner will more readily comprehend the method.

Vouchers Payable

19— March	31		$4284	85	19— March	31		$5297	80

Posting from the Voucher Record. After the entries have been properly made in the voucher record and the paid vouchers entered also on the credit side of the cash-book, the voucher record should be posted by opening an account in the ledger called "Vouchers Payable," to which should be carried the footing of "Vouchers Payable Cr." column of the record. To equalize this credit in the ledger the accounts Real Estate, Machinery, Furniture and Fixtures, and the other accounts represented by the columns on the right must be debited for their respective footings.

Posting from Cash-Book. With the voucher system no "Accounts Payable" is kept in the ledger, but in its place is substituted "Vouchers Payable." In the cash-book, likewise, on the Cr. side, the "Vouchers Payable Dr." has taken the place of "Accounts Payable Dr.," as used in previous cash-books. In posting, then, from the cash-book the footing of "Vouchers Payable Dr." column is carried to the Dr. side of the "Vouchers Payable" account in the general ledger. The other columns of the cash-book are posted as in previous sets. When the accounts are all correct the footing of the "Vouchers Payable Dr." column of the voucher record must equal the footing of the "Vouchers Payable Dr." column of the cash-book.

Exercises

1. Open the account in the ledger "Vouchers Payable," and post to the credit side the footing of "Vouchers Payable Cr." column as it appears in the voucher record. Then open accounts representing all the columns on the right side of the record, such as Real Estate, Machinery, Furniture and Fixtures, etc., and debit each of these accounts for the footings of their respective columns. Thus your ledger will be in balance. Now post the cash-book and make a trial balance. Observe that when the work is correct the difference between the two sides of the "Vouchers Payable" account in the ledger is equal to the difference between the two columns marked "Vouchers Payable Cr." and "Vouchers Payable Dr." of the voucher record.

2. The Manufacturing Set, on page 178, will give excellent practice for the use of the voucher record and should now be worked as an exercise, selecting first only those transactions which require the use of the voucher record and cash-book.

DIRECTIONS.—Rule on a large piece of paper a voucher record. If not provided with blank vouchers make out the first one complete and for the others prepare small slips of paper marked Voucher No. —— $—— From —— Date —— Check No. ——. Use two envelopes: one marked "Unpaid Vouchers" and the other "Paid Vouchers." Before making the entry in the voucher record take one of the prepared slips as substitute for a voucher and fill out the blank spaces with numbers, dollars, etc. As soon as made out place in the envelope marked "Unpaid Vouchers." When this voucher is paid place it in the envelope marked "Paid Vouchers." For every check drawn there must be a voucher with a number to correspond.

NOTE.—June 1. For this transaction call the voucher No. 1, and in the distribution part of the record enter under Factory Expense. June 1. Enter this under General Expense. June 2. Enter under Machinery. June 3. Enter under General Expense. June 9. Take from "Unpaid Vouchers" envelope, voucher No. 9 and enter on it the payment $500, and then return it to "Unpaid Voucher" envelope. Enter in record the amount paid, showing when paid. June 9. On the day you accept Jenkins Bros.' draft for $442.50 you should take "Unpaid Voucher" No. 4 and enter on it amount of acceptance, and return it to its place among "Unpaid Vouchers." Make an entry, also, in bill-book. June 10. Although this payment could be run through the voucher record it is less troublesome to make the entry direct in the cash-book on the credit side for the amount of the note, and then for the interest, and draw the check for a sum covering both. June 11. Find among unpaid vouchers No. 9 and enter thereon the amount of acceptance and return it to "Unpaid Vouchers." Then make the entry in the bill-book. June 11. Mr. King being a partner, it is best to make the entry direct in the cash-book without a voucher and then debit his account. June 16. Such transactions are usually charged to petty cash-book, and that name may be used in the place of a person when making the voucher. June 19. Among unpaid vouchers find No. 4, and attach to it this paid acceptance, which is of itself a complete voucher and then file with "Paid vouchers." June 26. After Evans Machine Co. have signed and returned to you voucher No. 9, place it with the paid acceptance in Paid Voucher envelope.

Review

1. What do you understand by the expression "voucher system"? **2.** May this method be adapted to any system of bookkeeping? **3.** What are the two distinctive forms used in the voucher system? **4.** What is a voucher? **5.** How does this method affect the accounts with creditors usually kept in the ledger? **6.** Where is the voucher system largely used? **7.** Describe two forms of vouchers. **8.** What should the back of the voucher show? **9.** State the purpose of a voucher record. **10.** Describe the process of using it. **11.** Does the cash-book require any special columns in using the voucher system? Explain. **12.** Explain the method of posting from the cash-book and from the voucher record.

COST ACCOUNTING

Cost Accounting, as applied to manufacturing, is a system which requires a record, in minute detail, of every item of expense which enters into the production and distribution of the finished product. The improvement in machinery during the last few years and the keen competition in manufacturing which tends to minimize the profits have compelled the manufacturer to give close attention to every source of expense connected with his business, in order to eliminate everything which causes waste and every tool or implement that is inefficient. No radical change in the general method of keeping accounts is necessary to give the desired results in cost accounting. One or two additional auxiliary books are required and some new accounts should be opened in the general ledger to represent the subdivision of the loss and gain account. For example, such accounts as Material, Labor, Machinery, Factory Expense, etc.

The chief auxiliary book is one that may be called a cost journal, which is ruled with numerous columns and shows not only the cost of material, labor, factory expenses, etc., as totals, but exhibits under a subheading the minute expenses of each division. The information revealed to the manager by this book enables him to analyze each expense and determine the cost not only of each article when finished, but also the cost at different stages of its manufacture. The order-book and pay roll are also important auxiliary books in this system.

With almost any system of accounting it would be an easy matter to determine the cost of the material used and the cost of labor for the month, or any given time; but valuable as such knowledge may be, it will not do for a basis in estimating the cost of filling an order for a certain kind of goods. The other element required to make a fair

estimate for an order is the general expense of the factory or plant, and what percentage of this expense must be added to the cost of material and the cost of labor. To discover this there should be a record showing the cost of the land, the cost of the building, the cost of improvements, the cost of repairing, the cost of machinery and tools, the cost of keeping them in repair, and the interest on the cost of the plant. An estimate must be made which will show the depreciation in the value of the land or building; and, as the machinery finally wears out and must be replaced, the number of years it will do its work must also be estimated. All these expenses, besides cost of fuel, light, taxes, and various other operating expenses, must be considered before the manager can say what percentage of the ordinary factory expenses must be added to the cost of material and labor to find out what sum should be charged to fill an order occupying, perhaps, three weeks and two-thirds of the factory force. If the articles manufactured are for the public in general, and not a special order, the cost not only of production, but also of distribution, must be considered: as, for example, the expense of salesmen, advertising, cartage, the loss from worthless debts, etc.

What has been said will, perhaps, give some idea of the scope of cost accounting, a subject which is now receiving a considerable degree of attention from expert accountants. The ordinary bookkeeper, however, who will make himself thoroughly familiar with the business of the factory will, we believe, be able to devise a journal with such headings and subheadings as will give the desired information concerning the cost of production.

Voucher Showing the Cost of 100 Cherry Bookcases

No. A. The Wilson Manufacturing Company.
Cost of 100 Cherry Bookcases.

Labor.		Material.	
600 hrs. @ 40c.	$240.00	2000 ft. Cherry @ 20c.	$400.00
500 hrs. @ 35c.	175.00	1000 ft. Pine @ 5c.	50.00
Machine work, 250 hrs. @ 80c.	200.00	Supplies	12.50
Bench work, 450 hrs. @ 60c.	270.00		$462.50
	$885.00		885.00
			$1,347.50
		Factory Exp. 10%	134.75
			$1,482.25

100)1482.25

$14.82 = cost of 1 bookcase.

CORPORATIONS AND CORPORATION ACCOUNTS

A Corporation is an artificial person created by law. It has power to do only those things which are expressed in its charter. In this respect it differs from the natural person, who may do anything not forbidden by the law. The Charter is the certificate of incorporation granted to it by the Legislature, and shows (a) the name of the Corporation, (b) the object for which it was incorporated, (c) the location of its place of business or office, (d) the amount of its capital stock, (e) the duration of the corporation, and certain other things. Formerly corporations were created by an express act of the Legislature, but now they are generally formed by complying with some general laws of the State. After making proof of such compliance a certificate of incorporation is issued by the Secretary of State.

Corporations generally have powers and obligations as follows: (1) To sue and be sued like natural persons; (2) To buy and sell property, real and personal, which may be necessary to its business; (3) To use a special seal; (4) To make by-laws regulating the conduct of its affairs; (5) To appoint or elect officers, directors, and agents to manage its business; (6) To have a limited or an expressed amount of capital stock; (7) To continue its existence for the time stated in its charter; (8) To dissolve the corporation and wind up its business.

As corporations are of various kinds, such as municipal, business, educational, charitable, religious, etc., the powers set forth in the charter necessarily vary. The powers and limitations of a corporation depend somewhat upon the State in which the corporation is formed. The State of New Jersey has offered special inducements to those wishing to form corporations. Each State has supreme power in making laws which shall govern corporations formed within its own boundary. The United States government has also exercised its power in creating those corporations known as National Banks.

The first advantage that a corporation has over a general partnership or stock company, is the limited liability assumed by the investor in case the business becomes insolvent. As a rule, the owner of stock in a corporation can lose only the amount represented by the stock which he owns or has subscribed, and when this is paid the creditors can make no further claim on him.

The National Banks form an exception to this rule, for the one who holds a share of National Bank stock may lose not only the share of par value ($100), but also $100 more. Double liability corporation is the term applied to such as those just mentioned.

Another advantage of a corporation is the facility with which an interest in the business can be acquired or disposed of by means of

its certificates of stock. Its permanent nature is another advantage, for it cannot, as in a partnership, be dissolved by any one who sells his interest, becomes insolvent, or dies.

In the State of New York, according to the "Business Corporation Law," of 1890, as amended in 1901, the following are some of the important provisions relating to business corporations: Three or more persons may form a corporation, and the certificate must set forth: (1) The name of the proposed corporation. (2) The purpose for which formed. (3) The amount of capital stock and preferred, if any. (4) The number of shares, each being not less than $5, nor more than $100, and total capital not less than $500, at beginning. (5) Place in which principal business office is located. (6) Its duration. (7) The number of directors, not less than three. (8) Names and addresses of directors. (9) The names and addresses of subscribers to the certificate, and the number of shares each agrees to take.

Two thirds of the incorporators must be citizens of the United States, of full age, and at least one of them a resident of the State of New York. A tax of 1/20 of one per cent. on the amount of capital stock must be paid before a certificate will be issued by the Secretary of State. The certificate must be filed in the office of Secretary of State, and a certified copy filed in the office of the clerk of the county where the corporation is located. The fees of the Secretary of State are $10 for filing and 10c. per folio for recording.

The corporations of New York are classified as (1) Municipal Corporations; (2) Stock Corporations; (3) Non-Stock Corporations; (4) Mixed Corporations. A Stock Corporation is either a moneyed corporation including banks and insurance companies, or a transportation corporation, including principally railroads; or a business corporation, which includes all trading and manufacturing business. The charter provisions referred to above apply particularly to business corporations.

One of the peculiarities of the corporation law of the State of New York is that "the stockholder of every stock corporation shall jointly and severally be personally liable for all debts due and owing to any of its *laborers, servants,* or *employees other than contractors* for services performed by them for such corporations."

Books of a Corporation

Besides the books which are generally used by a trading firm, or in an ordinary business, such as the journal, cash-book, sales-book, ledger, etc., a corporation requires other books of an auxiliary nature, which usually include a Minute Book, Subscription Book, Stock-Certificate Book, Transfer Book, and Stock Ledger.

The Minute Book, which is generally kept by the secretary of the corporation, contains a complete record of all meetings held by the stockholders or members of the board of directors. Usually no special form is required for this book, but it should be a full and accurate history of the proceedings of the meeting.

The Subscription Book contains the names and addresses of the subscribers, showing the number of shares, the par value, amount subscribed, and the installments paid by each subscriber.

The Stock-Certificate Book contains blank certificates of stock attached to stubs. When a share of stock has been fully paid for and the stubs filled out the certificate is detached and given to the subscriber.

The Transfer Book, or Transfer Journal, is a book in which is entered the sale or transfer of stock made by a stockholder. From this book the entries are carried into the stock ledger.

The Stock Ledger contains the name and address of every stockholder, and shows the amount of stock held by him. The entries for this ledger are made up from the stock certificates book and transfer book. It is a book which differs entirely in its purpose from a general ledger.

The Capital Stock of a corporation is usually the amount of stock issued by it at the time of incorporation. It is also called authorized stock, as charters sometimes fix the amount of stock to be issued. The capital stock is generally divided into shares of $100 each. In many States the law requires that a minimum proportion of authorized stock shall not only be subscribed, but actually paid in, before the corporation can begin business.

A Subscription is merely an agreement made by a subscriber that he will buy a specified number of shares of the capital stock, paying the par value unless otherwise expressed.

Treasury Stock is stock held by the treasurer for the corporation, and which he has acquired from the original holder, either by gift or purchase. The term is also applied to that part of the capital stock which has not been sold, and which still remains in the hands of the treasurer.

Common Stock is the ordinary Capital Stock which has been paid for and issued to the subscribers.

Preferred Stock is that stock which is entitled to share in the accrued dividends before any allowance is made to the common stock. It is also called guaranteed stock. Sometimes corporations issue stock called First Preferred and Second Preferred, etc., which terms indicate the order in which they are to share in the dividends.

Watered Stock is a term usually applied to an issue of stock which represents not real, but prospective or fictitious, value.

To water stock is not under all circumstances dishonest, but so much deception has been practised in this way that some States have attempted to prohibit the practice.

Cumulative Preferred Stock is a preferred stock upon which the dividends accumulate when not paid annually. If in any one year the profits are not sufficient to pay the dividend allotted to this stock the deficiency is a charge against the earnings of future years, and must be paid before common stock is entitled to anything.

A Stockholder is one who has purchased one or more shares of Capital Stock of a corporation, or has subscribed for a share or shares.

One who holds stock has the right, at a stockholders' meeting, to cast a vote for each share held by him, and, if absent, he may vote by proxy. He has also the right to share in the dividends in proportion to the amount of stock held by him.

The questions which concern the stockholder and upon which he votes, are: (a) Those relating to the election of directors; (b) the approval of, or the changing of, the by-laws; (c) revising the charter; (d) the sale of the property as a whole; (e) dissolution of the corporation, and other questions which their charter empowers the stockholders to act upon. There are many things relating to the management of a corporation which stockholders cannot do and which must be done either by the officers or the directors.

It is the practice for corporations to use a seal only in those cases where an individual should use one: for example, in executing a bond or conveying real estate. In other cases the corporate signature is sufficient to make the contract binding.

While the opening of a set of corporation books involves no new principles of bookkeeping, the application of the old principles to the new accounts and new conditions may need some explanation.

Illustration of Opening Entries

To make the matter clear, the simplest form of the journal entry will be used, omitting the day-book part and also the cash-book. Upon a review of the examples it would be well to make the entry complete, in both journal and cash-book.

Examples

1. A Corporation has been formed with an authorized capital stock of $50,000. A, B, C, D, and E have each subscribed and paid for 100 shares of stock at par value $100. The following is the required entry:

		Dr.	Cr.
(*a*)	Subscription	$50,000	
	To Capital Stock		$50,000
	also		
(*b*)	Cash	50,000	
	Subscription		50,000

These entries will show the subscription account in the ledger and show that they are all paid. No ledger account will be opened with the individuals.

2. In example 1 let it be supposed that each person has subscribed and paid for only 80 shares, making but $40,000 of paid-up capital. Some accountants would then make the entry as follows:

		Dr.	
(*a*)	Subscription	$40,000	
	Treasury Stock	10,000	Cr.
	To Capital Stock		$50,000
	also		
(*b*)	Cash	40,000	
	To Subscription		40,000

There are many who prefer for the first part of this entry (*a*), the following:

	Dr.	
Subscription	$40,000	Cr.
To Capital Stock		$40,000

Entry *b*, of course, remains the same under both methods. For the first method it is claimed that it is better, for the reason that it causes the total authorized capital stock to appear on the ledger. The reply to this argument is that the charter itself shows the authorized capital stock; that if it is necessary to place the amount on the books it can be done in the explanatory part of the journal, and that to make the capital stock appear to be $50,000 is not in accordance with the facts. In other words, $10,000 of the $50,000 is watered stock. The student should be familiar with both methods, as they are both in use.

3. A corporation having been formed with an authorized capital of $7,000 and the stock having been fully subscribed and paid, it was decided that each of the seven stockholders holding 10 shares each should give back to the corporation 2 shares each, amounting to $1,400 to be sold in order to acquire working capital. The entry is as follows:

		Dr.	
(*a*)	Subscription	$7,000	Cr.
	To Capital Stock		$7,000
	also		
	Cash	7,000	
(*b*)	To Subscription		7,000
	also		
(*c*)	Treasury Stock	1,400	
	To Working Capital		1,400

In this case the treasury stock was actually donated to the corporation and is properly called treasury stock.

4. If the treasury stock in the above example has been sold for $1,400 cash the following entry should be made:

	Dr.	
Cash	$1,400	Cr.
To Treasury Stock		$1,400

If this treasury stock had been sold above par, say $1,600, cash would be debited for that amount, treasury stock credited for $1,400, and working capital credited for $200. On the other hand, if sold below par, working capital would be debited to make the entry balance.

5. A corporation has been organized with an authorized capital of $60,000 all of which has been subscribed, but only 50 per cent of which has been paid. The journal entry is as follows:

		Dr.	Cr.
(*a*)	Subscription	$60,000	
	To Capital Stock		$60,000
	also		
(*b*)	Cash	$30,000	
	To Subscription		30,000

If an assessment is made for the balance the required entry is:

	Dr.	Cr.
Assessment No. 1	$30,000	
To Subscription		$30,000

and when paid this entry completes the record:

	Dr.	Cr.
Cash	$30,000	
To Assessment No. 1		$30,000

6. A, B, and C having been doing business as a partnership decide to form a corporation with an authorized capital of $70,000. The resources and liabilities from the old firm are as follows: Real Estate valued at $30,000; Mdse., $10,500; Raw Material, $8,250; Accounts Receivable, $3,750. The liabilities are, Accounts Payable, $2,500. A's interest in the net capital is $20,000, B's $20,000, and C's $10,000, all of which is turned over to the corporation in payment for subscribed stock at par as follows: A, 200 shares; B, 200 shares; C, 100 shares; E and F have subscribed and paid for 100 shares each, thus making a paid-up capital for the authorized capital stock of $70,000. The journal entry is as follows:

	Dr.	Cr.
Subscription	$70,000	
To Capital Stock		$70,000
also	Dr.	
Real Estate	$30,000	
Merchandise	10,500	
Raw Material	8,250	
Accounts Receivable	3,750	
Cash	20,000	
To Accounts Payable		2,500
To Subscription		70,000

The books of the partnership should have been closed before the new books of the corporation are opened; the balance sheet, however, will furnish the amounts for the corporation books. Observe that

neither the names of the members of the old firm nor the names of the subscribers appear in the ledger accounts.

Exercises for Practice in Opening Entries

1. A corporation has been organized with an authorized Capital Stock of $40,000. The stock being all subscribed and paid for in cash, what is the journal entry?

NOTE.—In all these exercises, after you have made the journal entry in its simplest form, you should add the appropriate day-book explanations, and where there are cash transactions the entry should be made in the cash-book, just as should be done when no cash account is kept in the ledger.

2. The authorized capital stock of a corporation is $70,000, but only $60,000 has been subscribed and paid for. Make the opening entry in two ways. State your preference and give reasons.

3. A corporation has been organized with a paid-up capital stock of $90,000. The stockholders, to procure a working capital, have donated 200 shares ($20,000) to the corporation, and the treasurer has sold them at par. Required the opening entry.

4. Jan. 4, 1907. The authorized capital stock of a corporation, $80,000, has all been subscribed, but only $40,000 of the subscribed stock has been paid for and delivered. Required the journal entry.

5. Feb. 1, 1907. On the capital stock, in the above exercise, an assessment was made of 10% on the par value of the stock held by each subscriber; the total assessment amounting to $8,000. Required the journal entry.

6. The assessment referred to in the above exercise has been paid in full. Make journal entry.

7. A partnership business has been converted into a corporation, with a paid-up capital stock of $35,000. The balance sheet from the old firm shows resources and liabilities as follows: Real Estate $20,000, Machinery $4,500, Raw Material $7,250, Bills Receivable $2,800, Accounts Receivable $3,250; Liabilities, Bills Payable $1,560; Accounts Payable, $1,240. In exchange for the resources turned over to the corporation the partners have received paid-up capital stock at par as follows: James Smith 100 shares; Wm. Brown, 100 shares; S. D. Thompson, 50 shares. L. C. Cooper and F. N. Ward have each subscribed and paid for 50 shares at par. Required journal entry.

8. A corporation has been organized with an authorized preferred capital stock of $120,000, all of which is paid up and also authorized common stock to the amount of $40,000. 50% of the common stock has been sold at 70. The par value of both common and preferred is $100.

NOTE.—The preferred and common stocks should have separate accounts in the ledger.

9. A corporation has been organized for the purpose of operating a coal mine and Capital Stock has been authorized to the amount of $80,000

A contributes his lease of the land, covering a period of ten years, and receives 200 shares of paid-up stock. B has contributed machinery and tools for which he receives 100 shares. C, as promoter, receives 50 shares, and 200 shares have been sold at 50% of their par value to various subscribers. Required the entry.

10. A joint-stock company has been formed into a corporation and is to continue in the lumber and manufacturing business. Their statement of resources and liabilities is as follows:

RESOURCES.	
Cash	$5,150
Real Estate	25,000
Lumber	10,000
Machinery	8,000
Unfinished Product	7,550
Accounts Receivable	3,250
Good-will	2,500
LIABILITIES.	
Accounts Payable	$1,450

The authorized capital stock is $75,000, of which 600 shares, at par value, are given to the former members of the joint-stock company in exchange for their resources, and 100 shares have been sold at 90. Make the entry in two ways.

Review

1. What is a corporation? **2.** What may a corporation do? **3.** Wherein does its power differ from those of the natural person? **4.** What is the charter? **5.** Mention some things usually set forth in the charter. **6.** Mention three powers and obligations usually expressed in a charter. **7.** Mention some others of its powers. **8.** What are some of the various kinds of corporations? **9.** Upon what do the powers and limitations of a corporation depend? **10.** What can be said of corporations formed in the State of New Jersey? **11.** Mention a corporation that is not formed by or through any State law. **12.** State a great advantage which a corporation has over a partnership or stock company. **13.** What is meant by a double-liability corporation? **14.** Mention one of this class. **15.** State two other advantages of a corporation. **16.** What is the minimum number of persons who can form a business corporation in the State of New York? **17.** What must the certificate set forth or state? **18.** Mention some auxiliary books used by a corporation and state their purpose. **19.** What is meant by the Capital Stock of a corporation? **20.** What must be done as to payment for shares in some States before a charter is granted. **21.** What is a subscription? **22.** What is treasury stock? **23.** What is common stock? **24.** Describe preferred stock. **25.** What do 1st preferred, 2nd preferred, mean? **26.** What is meant by watered stock? **27.** Explain what is meant by Cumulative Preferred Stock. **28.** State some of the privileges of a stockholder. **29.** By whom is the business of a corporation managed? **30.** Are the members of a stock corporation in the State of New York personally liable for any debts of the company? Explain.

BANKS AND BANKING

A bank is defined as an institution which receives deposits, pays out money, makes loans, discounts notes, buys and sells foreign bills of exchange, issues letters of credit, makes collections, and exercises other financial functions. This definition applies particularly to what are now known as Commercial banks, which include all National banks, State banks of a certain character, and some private banking houses.

National Banks are corporations created by the United States government. No State government can control or regulate them in any way, but to know fully their powers and limitations one should read the laws relating to National banks, a copy of which may be easily procured from the general government at Washington. Some of the provisions of these laws are as follows: (1) There must be at least five "natural persons" associated for carrying on the banking business. (2) No bank can be organized with a capital of less than $25,000. The amount of capital required is larger in the large cities. (3) The organization certificate must show the name, location, capital stock, names of shareholders, and number of shares held by each. (4) To be a director, one must own a certain amount of stock and be a citizen of the United States. (5) Not less than one fourth of its capital stock must be invested in United States bonds, and deposited with the United States treasurer. (6) Circulating National bank notes, not exceeding the par value of the bonds deposited, may be issued by each bank. (7) A small tax is levied by the United States government on the amount of circulation. (8) Interest is paid by the government on the bonds deposited with it.

National banks have power to do those things which corporations usually do, such as to make contracts, use a corporate seal, make by-laws, etc., but they are not empowered to loan money on real estate, and if such property comes into their possession as security for previous loans, they must dispose of it within five years. They may, however, own the real estate occupied by them and which is necessary for their business.

The notes issued by a National bank are secured by the bonds held by the government. At the present time these are the only banks of issue in the United States. There is another element of security pertaining to National banks. The stockholders are each liable, not only for the par value of their stock, but for double that amount. For example, one who owns $1,000 in stock in a National bank may, upon the failure of the bank, not only lose that stock, but he may be assessed to the extent of $1,000 more. This is called a double-liability corporation.

State Banks are corporations created by the various States in which the banks are located. Nearly every State in the Union, except Massachusetts and Texas, has its own State banks which, in many respects, bear a close resemblance to the National banks in their method of organization and powers. State banks are not, of course, banks of issue, as the United States tax on such notes is prohibitive. The State banks differ, too, in having power to loan on real-estate mortgages. Although there are at present over 5,000 National banks in the United States the State banks exceed that number.

In the State of New York the State banks are required to keep on hand a cash reserve of 15 per cent. of their deposits, and those that have entered the Clearing House must have 25 per cent. reserve. The superintendent of banking may cause examinations to be made at any time, and, in case of insolvency, place the bank in the hands of a receiver.

Private Banking Houses are quite numerous in the State of New York. They are not under the same restrictions as National banks or State banks, and the amount of business transacted by them depends on their financial judgment, and confidence reposed in them by their patrons. They receive deposits subject to check, but are not required to keep any special amount on hand to meet their liabilities. Some of these houses do a large foreign business, while others carry on a brokerage business in connection with their regular banking business. The combined capital of the private bankers of New York City is said to far exceed that of all the other commercial banks. The promotion of new enterprises is largely in their hands.

Trust Companies are, in the State of New York, corporations, organized to act as trustees. The functions of a trustee are numerous: some of which are to act as executor under the last will and testament; to act as trustee of the estates of lunatics, idiots, and habitual drunkards; to act, under an appointment of the court, as guardian of any minor; to receive deposits of trust money from any persons or corporations. They also have power to act as the fiscal or transfer agent of any State, municipality, or corporation, and to receive and disburse money and transfer stocks, bonds, and other evidences of indebtedness. As the name suggests, their office originally was one involving confidence and trust. While some trust companies still confine their operations largely to taking care of trust funds, the greater number are, at the present time, doing what is called a general banking business.

Savings Banks were organized for the purpose of providing a safe place for keeping the earnings of those who have little or no capital. As the first consideration, then, is safety, the Savings banks of the State of New York, which are said to be more strictly guarded by law

than those of any other State, are limited in their investments to such loans as are considered absolutely safe. For example, loans can be made on real estate, but not exceeding 60 per cent of its market value. Investment may be made in United States bonds, in bonds of certain States, counties, cities, and also in the bonds of specified railroads. A Savings bank does not agree or promise to pay the depositor any rate of interest, but after all the expenses of conducting the bank have been deducted from the interest received on loans, the balance is divided among the depositors, and usually they receive from 3½ to 4 per cent on their savings. The bank is managed by a board of trustees, men of high character, who render their services gratuitously. Money is not paid out on checks, as in other banks. To draw out money the depositor must present his pass book and sign a draft. After answering a number of questions which serve to identify him, the paying teller returns his book with the money. The president, treasurer, and secretary, each have important duties to perform, and being usually men of considerable ability, are well paid for their services. The accounts of a Savings bank are necessarily less complicated than those of other banks.

Bank Officers and Employees. In commercial banks, generally, the shareholders elect a board of directors, who in turn choose the officers and select the employees. The chief officers of a bank are the president, vice-president, and cashier.

The President, as the title implies, is the presiding officer of the board of directors. His office is one of great responsibility, and the success of the bank often depends upon his integrity, his ability as a financier, and his sound judgment on matters pertaining to the bank's interests. It is his duty to furnish to the directors information concerning the important actions of the bank, to act for the directors in carrying out the policy which they have adopted, to sign important papers and documents, to see that no injudicious loans are made, and to use his influence to increase the business of the bank. The vice-president is to assist the president in his duties, and to act for him in case of his absence or his inability to act.

The Cashier is the executive officer who supervises the internal workings of the bank. Some of his duties are to act as secretary at the meetings of the directors; to sign, with the president, stock certificates, circulating notes, and various important documents; he also takes charge of the funds and securities deposited with the bank for safe keeping, and signs checks known as cashier checks.

The Paying Teller's position is generally regarded as the most important after that of the cashier. He must be expert in counting money and familiar with depositors' signatures, for it is his duty to

pay checks, and when the bank is a member of the Clearing House he pays and receives Clearing-House balances.

The Receiving Teller receives the money or deposits of the customers of the bank, making the entry in their pass books and in the teller's deposit book. He also issues certificates of deposit and cashier's checks.

The Note Teller receives payment on all matured notes. He also receives checks and notes sent by customers for collection and which are to be passed to their credit.

A Collection Clerk takes charge of the notes, drafts, and other papers which have been sent to the note teller for collection. It is his duty to make the proper entry for these items in the collection register and see that they are paid or properly disposed of.

The General Bookkeeper, as an employee, ranks next to the teller in the importance of his position. Some would give him even a higher rank. His work is that of supervising the accounts of the several departments. He usually takes charge of the general ledger, classifies results, collects statistics for the use of the officers, and makes a daily statement of the condition of the bank.

The Individual Bookkeeper has charge of the individual ledger, in which is kept the accounts of all depositors. It is his duty, also, to write up or balance the depositor's pass book and return paid checks.

The above described clerks or employees are the principal ones in a city bank where the population is less than 100,000. In larger cities the duties pertaining to each officer are increased and vary somewhat. Besides those mentioned many banks employ a mail clerk, a discount clerk, a coupon clerk, and various other clerks and assistants, so that the work of the bank comes under different subdivisions.

Review

1. What is a bank? **2.** What does the term Commercial bank include? **3.** What are National banks? **4.** What is the least number of persons required to form a National bank? **5.** What is the smallest amount of capital required? **6.** What must the organization certificate show? **7.** Mention two requirements of a director. **8.** What proportion of its capital stock must be invested in U. S. bonds? **9.** To what extent can National bank notes be issued? **10.** Mention some powers incident to corporations generally. **11.** May National banks loan money on real estate? **12.** May they own real estate necessary to carry on their own business? **13.** How is the payment of National bank notes secured? **14.** What is a bank of issue? **15.** Mention an element of security peculiar to National banks. Explain. **16.** What are State banks? **17.** Upon what plan are State banks generally modeled? **18.** Why do State banks not issue circulating

notes? **19.** What amount of cash must the banks of New York State hold in reserve? **20.** Are these State banks under supervision, and if so by whom? **21.** May any one carry on a banking business in the State of New York? **22.** What can you say on this subject? **23.** What are Trust Companies? **24.** Mention some of the most important functions exercised by a trustee or Trust Company. **25.** Mention some of their powers relating to bonds and securities. **26.** For what purpose are Savings banks organized? **27.** To what extent can Savings banks make loans on real estate? **28.** Mention other property and securities upon which they can make loans. **29.** How are these banks managed? **30.** Describe the method of drawing money from a Savings bank. **31.** Mention the chief officers of a Commercial bank, and state how they are chosen. **32.** What are some of the duties of the president, and state how he may advance the interest of the bank. **33.** Mention some of the more important duties of the cashier. **34.** Mention five of the employees of a Commercial bank, and describe the duties of each.

MISCELLANEOUS TOPICS

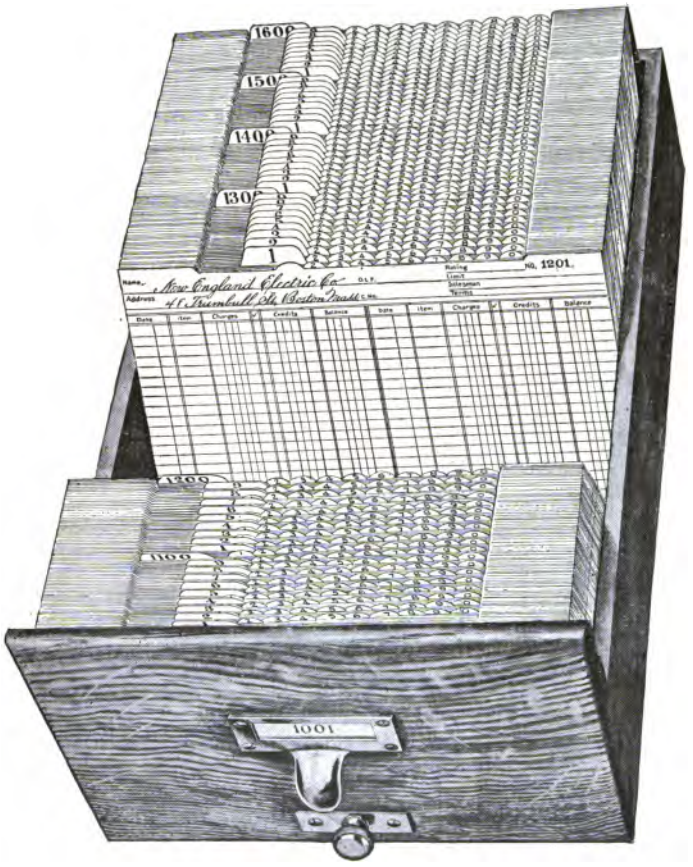
A Private Ledger may be kept by the proprietor himself if he does not wish the amount of his investments or his profits to be known to the bookkeeper or to others. To do this it is necessary for the proprietor to keep in his private ledger but three accounts, namely: The Proprietor's account, showing his investment; the Merchandise account, showing merely the inventory at beginning; and a Loss and Gain account, to show the results when the books are closed, or the statement made.

These private accounts are, of course, the supplemental parts of one general ledger, and when the bookkeeper desires to make a trial balance the proprietor can furnish him with certain figures, which, if the general ledger is correct, will keep it in balance. This the proprietor can do without revealing any of the facts he wishes to conceal. The figures given the bookkeeper to enable him to complete his trial balance are those which represent the exact difference between the proprietor's net investment and the debit of merchandise.

The bookkeeper opens a merchandise account also, debiting the purchases and crediting the sales. The footing of this account must be furnished to the proprietor to enable him to determine his gains or losses on merchandise. Excepting the merchandise account in the general ledger, all other secondary accounts should be closed into the Loss and Gain account, and the footings of this account also given to the proprietor, that he may complete his Loss and Gain account. After this is done, in order to continue the general ledger for another

period, the merchandise account should be ruled, but no balance brought down.

The Card Ledger and **Loose-Leaf Ledger,** although they involve nothing new in the science of accounts, have come into such popularity



Card-ledger tray, showing numeric arrangement with patented tabs

within a few years that they require notice, and a word of explanation showing their advantages in certain lines of business.

The Card Ledger is composed entirely of separate cards, each of which contains a separate ledger account. They are filed on edge in a tray and arranged numerically, alphabetically, or according to any plan desired. When a card becomes filled the account is carried for-

ward to a new card bearing the same number or letter. Some of the advantages claimed for the card ledger are that, as each account is separate from all others any card can be renewed or replaced without disturbing the others, and the live accounts can thus be kept in a tray by themselves. When rush work is required a large force can be employed at the same time preparing monthly statements for customers. Less time is required for posting, and the cost of maintaining the outfit, after it is installed, is less than the cost of book-form ledgers. As an objection to the system it is said that it is difficult in posting to find the desired card, but with proper indexing this objection seems to have no force.

The Loose-Leaf Ledger is made up of loose sheets which are held together by a patent device. As the leaves can be easily and quickly removed or replaced by this device, the loose-leaf ledger has many of the advantages of the card ledger.

Suspense Account

When one has continued in business for any length of time he is likely to have some accounts which are worthless, and others which he considers doubtful. When he is sure that the account is worthless, he should then close it into the Loss and Gain account, that is, credit the worthless account for a sufficient amount to make it balance, and debit Loss and Gain for a similar amount. But for the doubtful account, for which there is still hope, the treatment is different. As the account is of long standing, and it is desired that it shall not appear as a positive resource on the statement from time to time, it should be closed into an account called " Suspense "; that is, suspense should be debited and the doubtful account credited for the balance. When the doubtful creditor pays, cash should be debited and "Suspense" credited. In making a statement, sometimes a certain percentage of the total debit of Suspense account is estimated as a resource and so stated.

The worthless and doubtful notes may be treated in the same manner and Bills Receivable may be credited for an uncertain note, and Suspense debited for the same.

Classification of Ledger Accounts

When the business is such that one ledger is sufficient for all the accounts it should then be divided into sectional parts for the convenience of the bookkeeper. For example, the property accounts, representing fixed assets, may be grouped in one part of the ledger; Loss and Gain accounts in another; Personal accounts in another, etc.

Adapting the Books to the Business

In devising a set of books for a business several things should be taken into consideration. First, the nature and extent of the information concerning the business which the proprietor desires to obtain from the records. Supposing the business is of such a character that full, accurate, and detailed information is indispensable in conducting the business successfully the accountant will consider (a) the nature of the resources and the liabilities, with a view to their classification or subdivision under proper ledger titles; (b) the character of the property dealt in; (c) the method of making purchases and payments; (d) the sources of income or the method of making sales or exchanges; (e) the necessary subdivisions, either in the ledger or in the books of original entry, of items pertaining to the Loss and Gain accounts.

After a full consideration of these matters it will be found that the books best designed to meet the requirements will be of the greatest possible simplicity consistent with a detailed history of the business; they will be in such form as can readily be audited, and with the greatest economy in time and labor will set forth with accuracy and clearness those facts which books of accounts are designed to show.

Taking Charge of a Set of Books

In assuming charge of a set of books the first thing to be done is (a) to secure a list of all the books, of whatever form, that have been used as records of the business; (b) in the next place the cash-book should be examined to ascertain if the balance entered agrees with the actual cash on hand. If it does not, make the matter known at once to the proprietor. But if the cash proves, then (c) turn to the ledger to see if the accounts from the cash-book have been properly posted. (d) Examine all the books from which posting should be made, and if the posting has been completed (e) proceed to take off a trial balance. Should the trial balance not balance (f) procure the latest balance sheet or statement, and make comparisons with your own trial balance; also with the ledger, pursuing the work until you have located the discrepancy. It may be necessary to trace entries from each of the books of original entry before the error can be discovered, but it is of the utmost importance that your ledger should balance before proceeding with other work.

Review

1. What method is employed in all double-entry systems to test the accuracy of the work? **2.** What is the purpose of keeping a private ledger? **3.** Explain how the purpose may be accomplished. **4.** In the general

ledger, with this plan, what account is closed but not brought down? **5.** Describe a card ledger. **6.** State its advantages, and your objections to it. **7.** In devising a set of books for a business, mention four important things to be considered. **8.** State some of the main features of a set of books which are well adapted to the business. **9.** In taking charge of a set of books what should first be done by the bookkeeper? **10.** State your method of procedure when the ledger is not in balance. **11.** When but one ledger is used how should the accounts be classified?

GENERAL INFORMATION

An Affidavit is a statement, in writing, made before one legally authorized to administer an oath. The person making an affidavit is required to sign it, and to swear or affirm that its contents are true, and it is then attested by the officer before whom it is made. See form page 379.

A Bonded Warehouse is a house designated by the government for the storage of goods which have been imported, and on which the importer gives bonds for the payment of duties. The goods may remain in the bonded warehouse for a certain time, or until the owner either pays the duties or reships the goods to another country, in which case the government requires no duty. The government bonded warehouse is owned or leased by the government, and under the control of the collector of customs. There are also private bonded warehouses, but these are also under the control of custom-house officers, called government storekeepers. Bonded warehouses are intended only for goods which are dutiable.

Bankruptcy. A bankrupt is one who is insolvent, or one who has not property sufficient to pay his debts. The object of a bankrupt law is twofold: (1) To distribute the property to the creditors in proportion to the amount due; (2) to discharge the bankrupt from his debts, so that he may begin business again. One may go into bankruptcy voluntarily, or his creditors may force him into it when they see that he is paying some creditors in preference to others, knowing at the time he cannot pay all; or when he is concealing his property. After one has fully complied with the bankrupt laws he will receive from the court his discharge, which releases him from all *legal* obligations to make further payment of his old debts. The United States has provided a bankrupt law which is applicable to all the States alike, but almost every State has enacted a bankrupt law for itself. The discharge, however, which one receives from a State court will operate only within the limits of that State.

A debtor, or a firm, sometimes makes a general assignment. The assignee, or the person appointed by the creditors in this case to take charge of the property, sells it and distributes the proceeds among the creditors. This proceeding does not act as a discharge for the debtor. The creditors, however, under such circumstances, frequently do execute a release when they think the debtor is honest, and this release is in effect, so far as the creditors are concerned, the same as a discharge under the bankrupt act.

A Credit Man is one who is employed for the purpose of determining who shall or shall not be trusted in the sale of goods, and to what extent any customer shall receive credit. The position of a credit man is one of great responsibility. His knowledge of the financial condition of those who desire credit is obtained from various sources, but chiefly, of course, from the references given, the commercial agencies, and from banking institutions.

A Common Carrier is one whose business it is to transport or carry from one place to another the property of any one who employs him. Railroads, express companies, and steamships are all common carriers. The term includes teamsters, truckmen, and any one engaged in the business of transportation. To constitute one a common carrier two things are necessary: (1) Offering his service to the public continuously; (2) charging for his services.

According to the common law a common carrier was compelled to carry for all who applied to him without discrimination, and was liable for loss or injury to the goods, irrespective of any negligence on his part, and no agreement or contract by the shipper would release him from these obligations if the shipper desired to enforce them.

This extraordinary liability of a common carrier may now be qualified by a contract, assented to by the shipper. To what extent a common carrier can, through this special contract, release himself from liabilities for negligence is still in many cases a question for the courts. Some railroads, if compelled to carry under the old common-law regulations, will charge a higher rate than under their special contract.

A Clearing House has been described as "an office established by the banks of a city, where their representatives meet daily to exchange drafts and checks and adjust balances." The main object, then, of a Clearing House is to facilitate the settlement of accounts between the various banks of a city. But this is not its only object. Some of the special functions of a Clearing House are the extending of loans to the government; the mutual assistance of banks; the fixing of uniform rates of interest allowed on deposits; fixing rates of exchange and charges for collections; and the issuing of Clearing House loan certificates. In times of panic these associations have been of great benefit

to the community in lending assistanee to banks which would otherwise have failed, because of the run made upon them by their frightened depositors.

The method employed in the Clearing House by which the banks settle their accounts with one another is briefly described as follows:

Every bank in the association is known by a number, and has been assigned a desk in the Clearing House. To this desk bank No. 1, for example, sends at least two clerks; one called a settling clerk, who remains at his desk, the other a delivery clerk, who delivers or presents the claims of his bank on each of the others. These claims, which are in packages with the amounts marked on each, consist of checks, drafts, and other obligations, representing the sums which each of the other banks owe bank No. 1. By the time the delivery clerk has disposed of his packages, making his rounds of all the banks, and returned to his desk, the settling clerk has received from each of the other banks their claims on bank No. 1. The settling clerk's slip, which he brought with him, showed the total amount which the other banks owed to him, but now he can quickly learn the total claims which other banks have made on him, as the packages are accepted in bulk, and for the amounts with which they are marked. If the amount due him from Dr. banks is larger than the sum he owes Cr. banks the difference will be paid to him or his bank by the Clearing House; but, on the other hand, if the Cr. banks show a larger sum than the Dr. banks then bank No. 1 must pay the difference to the Clearing House. A bank which is Dr. to the Clearing House must make payment before 1.30 P. M., and the Cr. bank may receive the balance due it at any time between 1.30 and 3 o'clock. Payment of these balances to and by the Clearing House is made in Clearing House certificates, United States Gold certificates, and legal currency. By this method it will be seen that a bank will cancel all its balances due other banks by making a single payment to the Clearing House. The packages of claims delivered at the Clearing House are carefully examined when they are taken back to the bank, and if any are found invalid, settlement takes place between the banks themselves. The average daily clearings of the New York Clearing House, in 1905, were over 300 millions, but less than 5 per cent of this amount was required to settle the cash balances. The representatives of the banks must be in their places every business day promptly at 10 A. M., and in about an hour the balances are ascertained. The New York Clearing House, established in 1853, is the most important of the ninety or more which are in existence in the United States at the present time.

A Certificate of Deposit is a receipt given by a bank for money deposited therein. See form page 378. It is often convenient to place

money in a bank temporarily for safety, and in such cases the bank is willing to give a certificate, payable to your order, which may be negotiated in the same manner as a check. Under some circumstances certificates of deposit are made to draw interest. A check drawn by you against this deposit would not be honored unless you first surrendered to the bank your certificate.

Good-will is the benefit which arises from an established trade or occupation. It is subject to purchase and sale. Good-will is a title sometimes used in the ledger and may represent a real, though intangible, resource.

Insurance. No prudent business man neglects to insure his property against loss by fire, but there are other lines of insurance whose benefits are not so universally recognized, although their growth is a noticeable feature of this business age. We have now not only fire insurance, marine insurance, and life insurance, but also fidelity insurance, title insurance, accident insurance, plate-glass insurance, liability insurance, boiler and elevator insurance, burglary insurance, contract insurance, and several other forms of insurance. Life insurance, while its original object of providing directly for wife, children, or dependent ones is not lost sight of, is now being regarded more and more by cautious men as a wise business measure. It is a judicious act for any business man on whose home there remains a mortgage to provide for the payment of the same in the event of his death, by taking out a policy of insurance, making it payable to the mortgagee. As a man in insuring his life may make himself the beneficiary, his creditors may regard his insurance as so much capital. He can borrow on it, he can assign it, he can sell it, or he can leave it so that it becomes a part of his estate at his death. Partners sometimes insure the lives of one another, and men undertaking great enterprises often secure a large insurance so that their venture, in case of death, will not be a complete failure for lack of money. It is stated, on good authority, that in this country there are nearly five thousand persons who carry insurance for amounts ranging from $50,000 to $2,000,000 each.

Fidelity insurance is a contract by which an employer is guaranteed against loss that might be sustained through the fraud or dishonesty of an employee. Bank clerks, officers, and those holding positions of trust, whether in business or municipal corporations, are now generally insured in some Fidelity Insurance Company, before entering upon their duties. The necessity of such insurance is evident when figures are produced to show that in the last two years embezzlements have amounted to more than twenty million dollars. The fact should not be overlooked that companies of this kind reduce their risk to the smallest possible proportions, and select their applicants with scrupu-

lous care, rejecting all whose character and antecedants are unpromising. Formerly, where the law or the custom required public officials and others to give bond for the faithful discharge of their duties, such bonds were furnished by private individuals. Now such practice is unsatisfactory and rapidly falling into disuse. Contract insurance is the guarantee that a party will fulfil the terms of his contract. National, State, and municipal governments have for some time been following this practice, and requiring the successful bidder on a contract to furnish insurance in the form of a bond that the contract will be carried out. But the principle is now being applied to contracts of a private nature, and merchants entering into large transactions will procure an insurance to indemnify them against loss in case the other party fails to execute his part of the contract. Responsible and reputable business persons only will be included in such risks.

A Letter of Credit is a letter issued by a banking house introducing a traveler to other bankers and banks, and authorizing him to draw money from them. Such a document is of great convenience to one traveling in a foreign country, as it enables him to obtain money as he needs it, without assuming the risk of carrying large sums with him. The purchaser of a letter of credit will be required by his banker to furnish several copies of his signatures, and those will be forwarded to the foreign banks, which are to be drawn upon. Payment will be made when the traveler presents his letter of credit and signs a draft on the American banker who issues it. The signatures, of course, must be compared and identified. The amount drawn each time is entered upon the letter of credit.

A Manifest is a list or invoice of a ship's cargo, containing a description of each package of goods shipped. These manifests are to be exhibited at the custom house, and a ship for a foreign port will not obtain permission to sail till the manifest is properly attested.

Mercantile Agencies. The extent to which business is carried on by credit has made it necessary for the importer, jobber, and wholesale dealer to obtain reliable information as to the financial standing of his prospective customers. Two well-known agencies, Dun's and Bradstreet's, have undertaken to furnish this information, and have succeeded in a remarkable degree. In every city, town, and village in the United States agents are employed to discover and report every fact pertaining to a man's business which will affect his credit or financial standing. One of these agencies claims that it employs a force of over four thousand persons as travelers, reporters, clerks, and managers; operating nearly two hundred separate offices. "The impartial determination of the credit standing of wholesale and retail merchants, bankers, and traders generally, and the distribution

of this information among its subscribers" is declared to be its primary purpose. The subscribers are those who have purchased or rather have the use of the agencies' large books and quarterly reports showing the rating or standing of merchants throughout the country.

Overdue Paper. When you are about to receive, by indorsement, a note, draft, or other negotiable papers, you should examine the date of the instrument to make sure it is not overdue. If it is overdue it may be subject to Set-off.

Power of Attorney is a formal written instrument by which one person authorizes another to act as his agent. See form, page 379.

Set-off is a counter claim, and is explained as follows: If you should give John Doe a negotiable note for $200 and he afterwards should buy on account merchandise from you to the value of $175 he could not collect the full $200, if he still held the note when it became due, for you would have the right to off set his claim to the extent of $175 and settle the note by paying him $25. If, however, in the ordinary course of business, John Doe transfers this note before it falls due, you could settle the note only by paying the full $200 But if this note is transferred after it falls due the one receiving it takes it subject to the rights existing between you and John Doe, and can collect from you only $25.

Transmitting Money. There are several ways by which money may with safety be sent from one place to another. The banks, the express companies, the post office, and the telegraph companies are all agencies which may be used for this purpose. Where one keeps an account in a bank a convenient, safe, and inexpensive method for him is to remit either his personal check or a draft furnished by the bank, at a small charge for exchange. In many cases banks make no charge to their customers for this accommodation. Checks, as a rule, are not as satisfactory to the payee as a bank draft, for the reason that when received they are not generally cashed at once, and the payee may be compelled to wait till collection is made by his bank.

At the post office you can have your choice of sending money either by money order or a registered letter. It is not safe to send money in an unregistered letter. It is a simple matter to fill the blank application for a money order, hand it to the post master, with the amount of money to be sent, and receive from him the order which you enclose in your letter, properly directed to the payee. You will receive, also, from the post master a receipt which may be useful to you if the order does not reach its destination. In case the order is lost the post office will issue a duplicate order in lieu thereof without making additional charge. The fees charged for money orders range

from 3 cents for $2.50 or under, to 30 cents for $100. No order will be drawn for a larger sum than $100. If a larger sum is to be sent another order may be procured. For the sum of 8 cents you may have a letter or package which contains money or valuables registered, and the post office will exercise special care to see that it is safely delivered. You should know, however, that if such letter or package is lost you will be indemnified only to the amount of $25. You will be requested to write your name and address in the corner of the envelope before the post office will send the registered article.

Express companies issue money orders up to the amount of $100 at the same rates as the post office. Such order may be sent through the mail in the same way as a post-office order. They also send or carry any amount of money you may place in a package. When the sum is large the proportional charge is much less than by money order. The rates are regulated according to the places and the distances. This is a safe method, and when the amount to be sent is large the rates are not expensive.

To compete with the post office and express companies in their large business of remitting small sums of money the bankers have entered into an agreement or association and, at rates somewhat lower than those of their competitors, issue what is called a Bankers Money Order. Such orders, not exceeding $100 for any single order, can be purchased at the bank by a stranger, upon payment of the sum to be remitted and a small additional charge. The payee must, of course, be identified at the bank, and the order being negotiable is not limited to but one endorsement, like a post-office order. An ingenious device is employed in the Bankers Money Order to prevent the possibility of raising the amount as is sometimes done in ordinary checks.

Money may be sent by telegraph from certain offices to certain towns or cities, but every telegraph office is not a money office. The cost is, generally speaking, about one per cent plus double the regular day charges for telegraphing a ten-word message between the two points. For example, if $25 were to be sent to a point where the charge of sending a ten-word message is 30 cents, this charge will be doubled, making 60 cents, to which will be added one per cent of $25, making a total cost of 85 cents.

A Trust, in the legal sense, is the right of property held by one person for the benefit of another. The one who holds the property is called the trustee, the other the beneficiary. In the more popular sense a trust is a combination of persons or corporations for the purpose of controlling the supply and price of any article.

A Warehouse Receipt is a written acknowledgment or receipt

given by a warehouseman for goods and chattels delivered to him for storage. Goods shipped in bulk to a certain place, either for distribution or export, are often stored in a warehouse and receipts, showing kind, quality, etc., are issued by the warehouseman. Such receipts may be assigned or transferred, and the holder will be entitled to the goods upon presentation of the receipt. Loans are often made by banks upon warehouse receipts being delivered or collected.

Review

1. What is a bonded warehouse? **2.** What advantage does it offer to an importer and exporter of merchandise? **3.** Under whose control is a bonded warehouse? **4.** Who is a bankrupt? **5.** State the two objects of a bankrupt law. **6.** State two ways in which a person may get into the bankruptcy courts. **7.** How may one obtain a discharge, and what is the effect of such a paper? **8.** Mention two kinds of bankrupt laws. **9.** What is meant by a general assignment? Explain. **10.** What is meant by credit man? **11.** Mention some of the sources of his information. **12.** What is meant by a common carrier? **13.** What two things are necessary to constitute one a common carrier? **14.** What were his liabilities and obligations under the common law? **15.** How may these liabilities be modified? **16.** What is a clearing house? **17.** State some of its special functions. **18.** Describe the method employed in the clearing house. **19.** In what way does a debtor bank make a daily settlement with other banks? **20.** Are all banks in New York City members of the clearing house? **21.** Describe a certificate of deposit. **22.** Is it negotiable? **23.** Can you hold the certificate and draw checks against it at the same time? **24.** What do you understand by good-will? **25.** How may it be regarded in making a financial statement? **26.** Mention some of the different kinds of insurance. **27.** What was the original object of life insurance? **28.** Mention several ways in which life insurance may be a benefit to a man's business. **29.** What is fidelity insurance? **30.** What class of people are affected by this kind of insurance? **31.** How do fidelity companies select their risks? **32.** What is meant by contract insurance? **33.** Mention two kinds. **34.** What is a letter of credit? **35.** Who makes use of such letters? **36.** State the method of using a letter of credit. **37.** What is a manifest? **38.** What is its purpose? **39.** What is a mercantile agency? **40.** Why is there any necessity for such a business? **41.** Is an overdue paper negotiable? Explain. **42.** What do you understand by set-off? Explain fully. **43.** Mention several ways of transmitting money. **44.** What method is usually adopted by the merchant in sending large amounts? **45.** State what you know about remitting through the post office. **46.** Describe the method of remitting by express. **47.** What other methods can you mention? Explain. **48.** What is a trust in the legal sense? **49.** Who is the beneficiary? **50.** What is the meaning of the word trust in its popular sense? **51.** Explain what is meant by warehouse receipt. **52.** What is the effect of assigning a warehouse receipt?

Examination Paper

(Questions in Business Practice, from an examination paper of the University of the State of New York.)

1–2. Momsen & Black have done business for 12 days and their main ledger shows open accounts as follows:

Cash	$7,892 90	$4,491 99
George Momsen, partner	151 29	5,550
William Black, "		5,550
Merchandise	9,089 40	3,271 75
Furniture and Fixtures	500	
Bills Receivable	150	
Trade Discount	7 35	27 30
Accounts Receivable	1,454 50	533
Accounts Payable	4,235	4,339 40
Expense	283	

Merchandise inventory $6,535.60; expense inventory $50. Losses or gains are shared in the proportions of $\frac{11}{20}$ to Momsen and $\frac{9}{20}$ to Black. Furniture and fixtures, an asset, stands unchanged. Prepare a balance sheet.

3. Referring to questions 1–2, show (a) the per cent of gain on mdse, (b) the per cent of gain on capital, (c, d, e) whether or not the business seems sufficiently prosperous for continuance. Give reasons for your answer.

4–5. Alden & Burdick of Buffalo buy Oct. 23, 1905, a cargo of 8,000 bushels No. 2 northern wheat @ 86¾c. a bushel, which they ship by canal boat *Plunger* to Henry Iverson, New York, to be sold on commission at discretion of consignee. Canal freight, Buffalo to New York, is 4¾c. a bushel. Arrival of the wheat is reported to consignee Nov. 6, and as market is strong and advancing he puts the wheat in store Nov. 8 to await a higher price. Wheat on that day is worth 92c. In weighing out there is a shortage of 510 lb., which must be paid for by the captain, at market price. Iverson sells the cargo Nov. 14 at 95c. a bushel. Cost of weighing and storage is 2c. a bushel. There is also a charge of $14.50 for fire insurance and ½c. a bushel commission goes to consignee for selling. Consignee pays all New York expenses including freight, and charges them up against the wheat. Make out an account sales. What was the loss or gain on the venture?

The questions following refer to Examination Paper page 341.

6. What is meant by the good-will of a business? Give your views as to the unequal division of losses or gains between Wallace & Johnson in lieu of good-will, and say whether or not the division is fair. Give reasons for your answer. (See first paragraph.)

7. Give all the original entries that arise in relation to the Smith & Gray note and mention the book or books in which they are made. (See first paragraph; also transactions of Dec. 22 and 29.)

8. Make out the R. R. B/L for the flour bought of Minnesota Mill Co.,

freight 7½c. a 100 lb. Omit all minor limiting conditions usually printed in small type, but mention the number of cars required and compute the freight. (See transactions Dec. 18.)

9. Make out, in proper form and with correct ruling, the bill of Fox & Gilbert. (Transactions Dec. 18.)

10. Draw up in proper form (a) the note of Smith & Gray, Batavia (See first paragraph), (b) the draft sent Minnesota Mill Co., Commercial National Bank, Buffalo, Wm. S. Westbrook, cashier, on Exporters & Producers Bank, New York City. (Transactions Dec. 22.)

11–12. Write and balance the bank pass book of Wallace & Johnson with the Commercial National Bank. All moneys invested or otherwise paid in, except those paid for books, stationery, and coal, Dec. 18, and cash sales for Dec. 30, have been deposited and all payments except those for Dec. 18 have been made by check. None of the checks drawn Dec. 30 have been paid by bank. Does the balance shown by the bank's books agree with that shown by the firm's check book, and if not what is the difference and why does it occur?

Certificate of Deposit

CERTIFICATE OF DEPOSIT
Not subject to check.

No. 825

MERCHANTS NATIONAL BANK

New York, Nov. 24, 1908.

James L. Miller has deposited in this bank
Seven hundred fifty Dollars $750.00

Payable to the order of himself
on the return of this certificate properly indorsed.

W. H. Fisher.
Cashier.

Certificate of Stock

Number 84 Shares 50

THE ADAMS MANUFACTURING COMPANY
(Incorporated under the Business Corporations Law of New York)

SHARES $100 EACH

This is to certify, That John H. Cunningham is entitled to Fifty shares of the Capital Stock of the Adams Manufacturing Company, transferable only on the books of the Company, in person or by attorney, on surrender of this certificate.

CAPITAL $50,000

SEAL

Buffalo, March 24, 1907.

Henry C. Adams, President.

James R. Howland, Secretary.

LEGAL FORMS

Affidavit

State of New York, }
County of Westchester, } *ss.*

John P. Matthews, being duly sworn, deposes and says that the statement or account hereto annexed is a true and exact copy from his books of original entry of all the purchases and credits of Samuel T. Clarke, and that the balance, $122.50, as set forth in the above statement, is due from the said Samuel T. Clarke, free from all set-offs, payments, or counter claims.

JOHN P. MATTHEWS.

Sworn to before me this 9th
day of March, 1907.
Alfred Walters,
Notary Public for the
County of Westchester.

Power of Attorney

Know all men by these presents, that I, William G. Marshall, of the city of Rochester, do hereby make, constitute, and appoint Robert L. Green, of the city of New York, my true and lawful attorney, for me and in my name and behalf to sell, assign, and transfer 50 shares, or any proportion thereof, of the Capital Stock of the Adams Manufacturing Company, now standing in my name, and the said William G. Marshall is hereby fully empowered to do all necessary acts for the assignment and transfer of said stock.

WILLIAM G. MARSHALL.

NOTE.—A more formal document than the one above is necessary to constitute one an agent to sell real estate. A seal should be attached to the signature and an acknowledgement of the signing should be made before a notary public.

Articles of copartnership

Articles of Agreement made this fourth day of May, One thousand nine hundred and seven, by and between Abel Fisher of Albany, New York, party of the first part, and Richard D. White of the same place, party of the second part, witnesseth as follows:

I. The said parties hereby agree to become copartners in the general grocery business, under the firm name of Fisher & White, said business to be carried on in the city of Albany and to continue for a term of three years.

II. The capital of the firm shall consist of fifteen thousand dollars, each partner contributing as follows: The said Abel Fisher contributes his stock of goods, valued at five thousand five hundred dollars, and the good-will of the business, valued at $500, also personal accounts amounting to $1,500, all of which is set forth in a balance sheet attached hereto and made a part of this agreement. The said Richard D. White contributes the sum of seven thousand five hundred dollars cash.

III. All the gains or profits that shall arise from the said business shall be divided equally between the partners, and all losses, bad debts, or liabilities incurred by the business shall be borne and paid by them equally. Each partner is to give his full time and utmost skill to the advancement of the interests of the business; the said Abel Fisher to take charge of the books, and the said Richard White to attend particularly to the buying.

IV. All the partnership transactions shall be fully recorded in the proper books of account, and, at the first of January of each year, the value of stock on hand shall be estimated and a statement made showing the gains or losses for the preceding year, at which time the net gains, if any, shall be equally divided. Each partner shall have free access to the books of accounts at all times, and no important transaction shall be carried on by one partner without the knowledge and consent of the other.

V. Each partner shall be entitled to draw from the business either in goods or money, a sum not to exceed one hundred dollars per month.

VI. The said parties hereby agree with each other that neither will, without the consent of the other, assume liabilities not connected with the business, such as indorsing accommodation notes, or becoming surety for any person or persons.

In witness whereof the said parties have hereunto set their hand and seals this fourth day of May, 1907.

ABEL FISHER SEAL

RICHARD D. WHITE SEAL

NOTE.—Other clauses may be added making full and explicit provisions as the case requires.

Notice of Dissolution of Partnership

Notice is hereby given that the copartnership heretofore existing between Abel Fisher and Richard D. White, under the firm name of Fisher & White, is this day dissolved by mutual agreement.

All claims against the former partners should be presented for payment to Abel Fisher, who continues business in the old stand, and all persons indebted to the old firm are requested to make payment to him.

Albany, N. Y., May 4, 1908.

{ ABEL FISHER,
{ RICHARD D. WHITE

Bill of Sale

Know all men by these presents that I, Abel Fisher, of the city of Albany, State of New York, party of the first part, in consideration of the sum of six thousand dollars paid to me by Frank B. Davis, of the same place, party of the second part, the receipt whereof is hereby acknowledged, have bargained and sold, and by these presents do bargain, sell, grant, and convey unto the said Frank B. Davis, his executors, administrators, and assigns, all the goods, merchandise, furniture, and fixtures now in the grocery store No. 124 State St., Albany, said articles being entered in the inventory which is hereto annexed, to have and to hold the same unto the said party of the second part, his executors, administrators and assigns forever. And I do for myself, my heirs, executors, administrators, and assigns covenant and agree to warrant and defend the above described goods which are hereby sold to the said Frank B. Davis, his executors, administrators, and assigns, against all persons whomsoever.

In witness whereof I have hereunto set my hand and seal this fourth day of May, 1909.

ABEL FISHER SEAL

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